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# AGING AMERICA

## Trends and Projections

Prepared by the U.S. Senate Special Committee on Aging in conjunction with the American Association of Retired Persons, the Federal Council on the Aging, and the U.S. Administration on Aging.

### 1987–88 Edition

S142-6

# *Preface*

One of the most dramatic changes occurring in our nation is the aging of our population. Increasing numbers of older people bring enormous opportunities and challenges for all components of our society—individuals, families, business, government, and volunteer groups.

Today's older Americans, as a group, live longer, healthier, and financially more secure lives than their parents or grandparents. They are clearly the beneficiaries of successful federal programs, like Social Security, Medicare, and the Older Americans Act, that have helped to reduce the poverty, poor health, and inadequate living conditions that were widespread five decades ago.

But while the overall status of the elderly has improved, there remain serious problems that prevent many older Americans from enjoying a healthy, economically secure retirement. Despite lower poverty rates for the elderly as a group, a substantial portion of older persons continues to have incomes just above the poverty line. Elderly women living alone remain at great risk for impoverishment. In addition, poverty rates for most minority subgroups are twice and three times the poverty rate for whites. The rising cost of health care threatens to erode the economic gains of recent years. With longer life spans, serious health problems are often deferred or extended, leading to medical and long-term care costs that are financially devastating for many older persons and their families.

Even greater challenges lie ahead for our nation, brought on by the rapid aging of our population. In 40 years, when the post-war "baby boom" generation matures, one-third of our population will be over 55. The need for hospital care will have more than doubled. And, the number of persons most vulnerable to physical limitations—those over 85—will have nearly tripled. More than one out of every three dollars the federal government spends will likely go to programs serving older Americans.

Every segment of our society will be influenced by the needs, resources, and expertise of our older citizens, and will need to respond appropriately. We must work together to provide options that allow older persons to live independently and in dignity in their own communities as long as possible. We must develop programs that are accessible to all older people and that assure special help for the most vulnerable. And we must find ways to benefit from the talents and maturity of older Americans.

To meet today's challenges and those of the future, we need timely and reliable information on the status of older Americans and the aging of our population. Therefore, we are particularly pleased to offer this third edition of *Aging America: Trends and Projections*. This report provides background information on the status of aging in America. The data presented provide a broad overview of the health, income, employment, housing, and social characteristics of today's older population.

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This 1987-88 edition of *Aging America* was prepared by the staff of the U.S. Senate Special Committee on Aging. Dr. Lawrence Atkins, Minority Staff Director of the Senate Committee; Mr. Donald G. Fowles, U.S. Administration on Aging; and Dr. Constance Swank, American Association of Retired Persons, provided extensive technical support to the final pubiication. We hope you will find this report useful and informative.

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# Introduction

America is growing older. One of the most significant demographic facts affecting America's present and future course is the aging of its population. The number of persons age 65 and older is growing more rapidly than the rest of the population.

A quick overview of this surge in the older population highlights such facts as:

*Growth*

—In 1900, one in ten Americans was age 55 and over and one in 25 was age 65 and over. By 1986, one in five was at least 55 years old and one in eight was at least 65.

—The older population grew more than twice as fast as the rest of the population during the last two decades.

—The median age of the U.S. population is projected to rise from 31.8 today to 36 by the year 2000 and to 42 by 2040.

—The 85-plus population is growing especially rapidly. This population group is expected to be seven times as large by the middle of the next century as it was in 1980.

—The elderly population is growing older. In 1986, 41 percent of the elderly population was age 75 and older. By the year 2000, half of the elderly population is projected to be 75-plus.

—Elderly women now outnumber elderly men three to two. This disparity is even higher at age 85 and older, when there are only 40 men for every 100 women.

—The ratio of elderly persons to persons of working age has grown from seven elderly per 100 persons age 18 to 64 in 1900 to 19 per 100 today. By 2010, there are expected to be 22 elderly persons per 100 of working age and by 2050, 38 per 100.

—Life expectancy at birth improved dramatically over the last century. Individuals born today have a life expectancy 27 years longer than those born in 1900. In 1985, life expectancy at birth for women was 78.2 years, while for men it was 71.2 years.

—The number and proportion of older veterans is increasing. By the year 2000, close to two-thirds, 63 percent, of all 65-plus males will be veterans, compared to a little over one-fourth, or 27 percent in 1980.

—More than half of the elderly live in just eight states: California, New York, Florida, Pennsylvania, Texas, Illinois, Ohio, and Michigan.

—In 1980, for the first time, more elderly lived in the suburbs than in the central cities.

—On average, older persons change residences one-fourth as often as younger persons, but those who move out-of-state tend to move to the Sunbelt.

—A new trend, called "countermigration," has emerged in which some 60-plus persons who migrated to the Sunbelt in their early retirement years return to their home states or the homes of family and friends.

*Economic Status*

—Older persons have substantially less cash income than those under 65. In 1986, the median family income of a family head age 65 or older was less than two-thirds (62 percent) the median income of a family head age 25 to 64.

—Elderly persons are more likely than other adults to be poor. (However, when children are also considered, elderly poverty rates are slightly below poverty rates for the rest of the population.) In 1986, 12.4 percent of persons 65 and older had incomes below the poverty level, compared to 10.8 percent of those age 18 to 64 and 13.7 percent of all persons under age 65.

—The old-old (85 years of age or older) have significantly lower money incomes than the young-old (65 to 74 years of age). In 1985, the median cash income of couples age 85 and over ($15,111) was less than three-quarters the median cash incomes of couples age 65 to 74 ($20,354).

—In 1986, the median income of elderly women was slightly more than half (56 percent) the median income of elderly men, $6,425 versus $11,544. Nearly three-quarters (71.8 percent) of the elderly poor population are women.

—Nonwhite elderly individuals have substantially lower money incomes than their white counterparts. For instance, among those age 65 to 69, white males had a median income in 1986 of $14,041 compared to a median of $7,078 for black men and $8,083 for Hispanic men.

—The elderly rely heavily on Social Security benefits and asset income. In 1984, 38 percent of all income received by aged units came from Social Security and 28 percent from assets.

—While Social Security and assets have grown in recent decades as a source of income for the elderly, earnings have become less important. Between 1968 and 1985, the share of income for elderly families provided by Social Security grew from 23 to 32 percent of income and the share provided by asset income grew from 15 to 23 percent. At the same time, the share contributed by earnings fell from 48 to 29 percent.

*Retirement Trends and Labor Force Participation*

—In this century, retirement has become an expected part of an individual's life course. In 1900, the average male spent three percent of his lifetime in retirement. In 1980, he was spending nearly one-fifth, or 13.8 years of his life in retirement.

—Age 65 is commonly thought of as the "normal" retirement age. However, almost two-thirds of older workers retire before age 65.

—The labor force participation of men and women drops rapidly with increasing age. For instance, according to labor force statistics for 1986, 55 percent of 60- to 64-year-old men were in the labor force compared to 25 percent of 65- to 69-year-old men, and ten percent of those age 70-plus.

—In 1986, almost three-quarters (72 percent) of 65-plus workers were in managerial and professional; technical, sales, and administrative support; and service occupations.

—Three-quarters of the labor force would prefer to continue some kind of part-time work after retirement. In 1986, of the elderly who were at work in non-agricultural industries, 48 percent of the men and 61 percent of the women were on part-time schedules.

—For those elderly who desire to work, unemployment creates serious problems. Older workers who lose their jobs stay unemployed longer than younger workers, suffer a greater earnings loss, and are more likely to give up looking for another job.

*Health Status and Health Services Utilization*

—Contrary to stereotype, most older persons view their health positively. Although most older people have at least one chronic condition, seven out of ten noninstitutionalized elderly describe their health as good or excellent compared to others their age.

—One out of four elderly have at least a mild degree of functional disability, but the chance of becoming disabled increases with age. Half of the oldest-old have some functional disability.

—Cross-sectional data have shown that the likelihood of having a chronic illness increases with age. More than four out of five persons 65 and over have at least one chronic condition and multiple conditions are commonplace among the elderly.

—Many psychiatric problems are not as common for older persons as for younger persons. However, an important health problem of older age is cognitive impairment (which can be related to a number of sources, including Alzheimer's disease). A recent study has shown that 63 percent of the elderly in nursing homes have at least a mild form of cognitive impairment.

—Three out of four elderly die from heart disease, cancer, or stroke. Though heart disease has been declining, it remains the major cause of death today.

—The elderly are the heaviest users of health services. They account for 30 percent of all hospital discharges, 20 percent of all doctor visits, and one-third of the country's personal health care expenditures even though they constitute only 12 percent of the population. Health care use is greatest in the last year of life and among the old-old.

—Only about five percent of the elderly live in nursing homes at any given time. In 1985, an estimated 1.3 million elderly persons lived in nursing homes.

—"Informal supports"—the help of friends, spouses, and other relatives—provide valuable assistance to the elderly. For instance, in 1982, relatives represented 84 percent of all caregivers and provided 89 percent of all days of care for disabled elderly men living in the community.

—Out-of-pocket health expenses for the elderly are now the same as they were prior to the enactment of Medicare and Medicaid. In 1984, the average out-of-pocket expenses of the elderly were $1,059 annually, or 15 percent of their income.

—Per capita spending from all sources for health care for the elderly was $4,202 in 1984.

### *Social Characteristics*

—Most elderly men are married and live in a family setting, while most older women are widows. In 1986, 67 percent of women age 75-plus were widowed while 68 percent of the men in this age group were married. In 1986, 51 percent of women age 75-plus lived alone, while only 19 percent of men in this age category lived alone.

—The gap in educational attainment between the elderly and nonelderly is closing. In 1986, elderly people had completed an average of 11.8 years of school compared to 12.6 years for all adults.

—In 1985, 75 percent of the households maintained by an older person were owner-occupied and about 83 percent of these were owned free and clear.

—The elderly increasingly tend to rent rather than own as they grow older.

—The elderly are most likely to live in older homes. In 1983, 36 percent of elderly owners lived in homes built before 1940, and 13 percent lived in structures built between 1940 and 1949.

—Significant numbers of elderly persons live in inadequate housing and do not have telephones. In 1983, one out of ten elderly housing units were classified as inadequate because of flaws in plumbing, kitchen facilities, electrical systems, or other structural or operating characteristics. Nine percent of older renters and three percent of older homeowners in 1980 did not have telephones.

—Age groups 55 and older are the most likely age groups to vote. Data for the 1980, 1982, 1984, and 1986 elections demonstrate that about one-third of all voters are age 55 or older.

—One of every five older people in 1984 used one or more of a selected group of services provided in the community. The services included senior centers, meals programs, transportation, visiting nurses, and others.

### *Federal Expenditures on the Elderly*

—Federal spending on the elderly has nearly doubled since 1960. In 1986, $270 billion or 26 percent of the federal budget was of direct benefit to older Americans. About 81 percent of this amount was for Social Security, Medicare, or Medicaid benefits.

—In the future, rising health care costs will gradually overtake federal spending for retirement income as the source of greatest increase in federal spending on the elderly. Federal expenditures for health care are projected to increase from three percent of GNP in 1986 to more than six percent in 2030, while federal expenditures for pension programs will hold steady at about seven percent.

*International Comparisons*

- —The United States has the third-largest elderly population (age 65+) and the largest "old-old" population (age 80+) in the world.
- —The world is aging. In developed nations, the proportion of the population 65 and over is expected to as much as double during the next 40 years. By 2025, in most developed countries, one in five persons will be age 65 and older.
- —During the next 20 years (1985 to 2005), the United States will have one of the world's slowest growth rates in the young elderly population. In the subsequent 20 years (2005 to 2025), the United States will experience one of the most rapid rates of growth in its elderly population, as a result of the aging of the "baby boom" population.
- —The longest life expectancy at birth is in Japan—77.1 years in 1985. Life expectancy in the United States—74.6 years—is about average for the developed world.
- —The U.S. support ratio, or ratio of children and aged to working-age adults, in 1985 was about average for the developed world. By 2025 the total U.S. ratio is expected to be among the highest in the world, largely because of the rise in the proportion of elderly in the population.
- —Americans are more likely to work after age 65 than people in most other developed nations—except the Japanese.
- —Only one-third (35 percent) of the income of younger elderly families age 65 to 74 in the United States and Canada came from social insurance in 1979 to 1981, compared to half or more than half of the income of younger elderly families in some of the other developed countries.
- —The poverty rates among the elderly in the United States, the United Kingdom, and Israel are among the highest in the developed world.
- —Like much of the rest of the developed world, the United States is expected to experience a low rate of growth in government pension costs during the next 40 years.
- —U.S. government expenditures on medical care are expected to grow during the next 40 years at one of the most rapid rates in the developed world. United States' spending of its gross domestic product on medical care is proportionately among the highest in the world.

The 65-plus age group is used most often in this report to represent the elderly population. While the attainment of age 65 no longer marks the point of retirement for most workers, it is the age of eligibility for full Social Security benefits and for Medicare coverage. Perhaps most importantly, 65 is the age traditionally used to demarcate the older population for many statistical analyses. The characteristics of this broad age group are, when possible, compared with those of persons in subgroups such as 65-74, 75-plus, or 85-plus. Occasionally, the age groups 60-plus or 55-plus are used as descriptors of the "older" population. Unfortunately, the available data often limit the amount of age-specific detail that can be presented.

# Chapter 1.

# Size and Growth of the Older Population

# *Size and Growth of the Older Population*[1]

The older population has increased far more rapidly than the rest of the population for most of this century. In the last two decades alone, the 65-plus population grew by 56 percent while the under-65 population increased by only 19 percent. Since 1980, an average of 168,000 persons a month have celebrated their 65th birthday. By 1986, the number of centenarians had grown to 25,000. This type of demographic change is unprecedented and bears one dramatic conclusion: America is growing older.

The following chapter looks at the impact of this aging trend on the population as a whole and on various subgroups within the 65-plus population. Please note that the projections presented in this section and throughout this report do not imply certainty about future events. They represent forecasts based on continued patterns from the past and assumptions about future trends in fertility, mortality, and net immigration.

## AGE DISTRIBUTION

### THE OLDER POPULATION HAS DOUBLED IN THIS CENTURY AS A PROPORTION OF TOTAL POPULATION

At the beginning of this century, less than one in ten Americans was 55 and over and one in 25 was age 65 and over. By 1986, one in five Americans was at least 55 years old and one in eight was at least 65.

This century's dramatic increase in the number and proportion of older persons is reflected in the 1986 population estimates prepared by the U.S. Census Bureau. In 1986, there were an estimated 51.4 million Americans age 55 or older and 29.2 million who were at least age 65. About nine percent (22.2 million) of the total population were 55 to 64 years old, seven percent (17.3 million) were 65 to 74 years old, four percent (9.1 million) were 75 to 84 years old, and one percent (2.8 million) were 85 years old and over (table 1-1).

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[1] Unless otherwise noted, the statistics in this section on the size and growth of the population are estimates taken from: Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984). Population data for the years prior to 1984 are from the Decennial Censuses of Population. Data on persons age 100 or older are taken from Spencer, Gregory; Arnold A. Goldstein; and Cynthia M. Taeuber. *America's Centenarians: Data from the 1980 Census*. Washington: National Institute on Aging and the U.S. Bureau of the Census, June 1987.

## Table 1-1
## DISTRIBUTION OF THE POPULATION BY AGE GROUPS: 1986

| Age group | Number (in thousands) | Percent |
|---|---|---|
| All ages | 241,596 | 100 |
| 0 to 54 | 190,193 | 79 |
| 55 to 64 | 22,230 | 9 |
| 65 to 74 | 17,325 | 7 |
| 75 to 84 | 9,051 | 4 |
| 85-plus | 2,796 | 1 |
| 55-plus | 51,403 | 21 |
| 65-plus | 29,173 | 12 |

SOURCE: U.S. Bureau of the Census. "Estimates of the Population of the United States, by Age, Sex, and Race: 1980-1986." *Current Population Reports* Series P-25, No. 1000 (February 1987).

Chart 1-1 displays the country's age distribution in 1986 and gives a glimpse into the future. The "baby-boom" generation (age 22-40), which dominates the picture, is the result of increased fertility after World War II—from 1946 to 1964. This generation will dominate the age distribution of the country well into the next century. In fact, when this group begins to collect Social Security benefits in the early part of the 21st century, it will swell the ranks of the 65-plus generation to the point that one in five Americans will be in that age group.

Chart 1-1 also provides a graphic representation (by five-year age intervals) of the size of the older population in relation to the younger population. In 1986, the population over 55 was 21 percent of the total U.S. population and the elderly population, age 65-plus, was 12 percent.

The common assumption is that today's large numbers and proportion of older persons are caused by increased longevity. In fact, the rise in longevity explains only part of the increase. The primary cause is an increase in the annual number of births prior to 1920 and after World War II.[2] The aging of the pre-1920s group, along with a dramatic decline in the birth rate after the mid-1960s, has contributed to the rise in the median age of the U.S. population from 27.9 in 1970 to 31.8 in 1986. A four-year rise in the median age in 16 years is an historic demographic event.

## THE GRAYING OF AMERICA WILL CONTINUE WELL INTO THE NEXT CENTURY WITH THE AGING OF THE BABY BOOM

The projected growth in the older population will raise the median age of the U.S. population from 31.8 today to 36 by the year 2000 and to age 42 by the year 2040 (chart 1-2). Between 1985 and 2050 the total U.S. population is projected to

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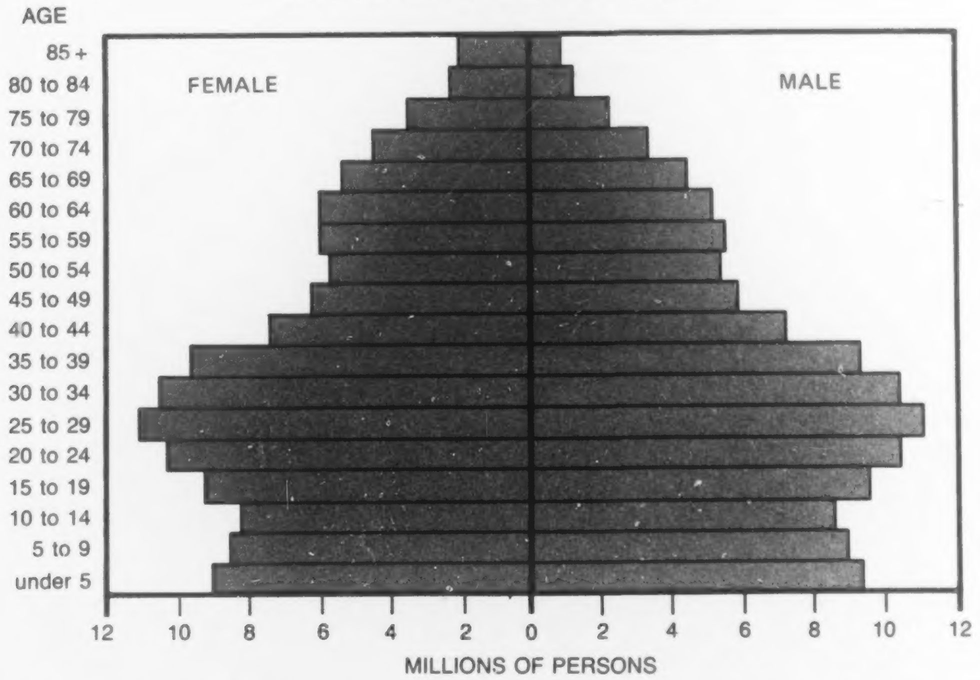
[2] Siegel, Jacob S. and Maria Davidson, U.S. Bureau of the Census. "Demographic and Socioeconomic Aspects of Aging in the United States." *Current Population Reports* Series P-23, No. 138 (August 1984).

Chart 1-1
U.S. POPULATION BY AGE AND SEX: 1986

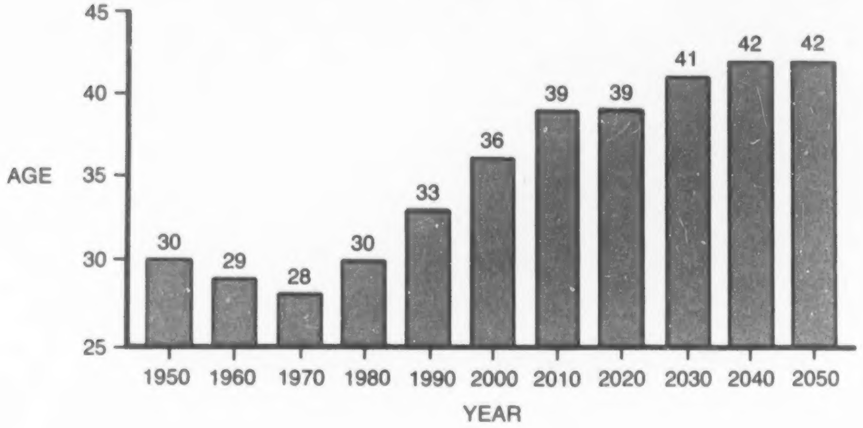


SOURCE: U.S. Bureau of the Census. "Estimates of the Population of the United States by Age, Sex, and Race: 1980 to 1986." *Current Population Reports* Series P-25, No. 1000 (February 1987).

increase by a third, while the 55-plus population is expected to more than double (table 1-2, chart 1-3). In fact, if current fertility and immigration levels remain stable, the only age groups to experience significant growth in the next century will be those past age 55.

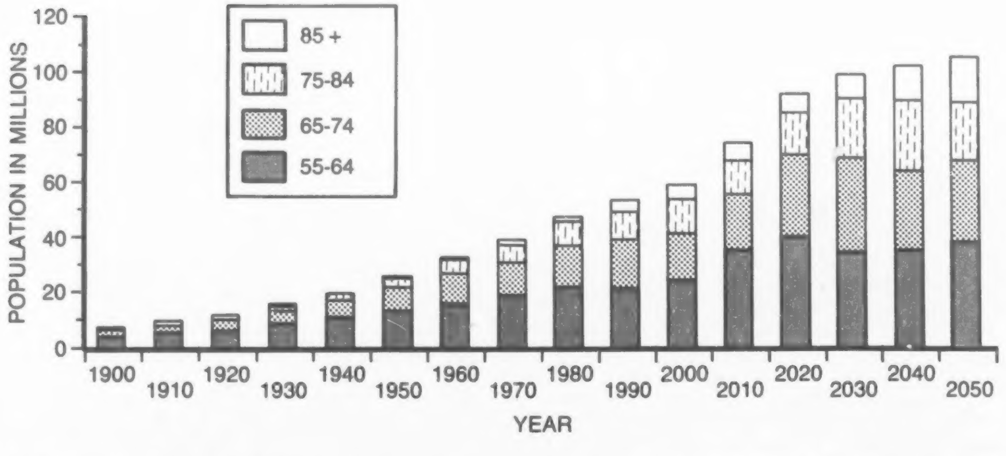
The increase in the older population is expected to occur in two stages. Through the year 2000, the proportion of the population age 55 and over is expected to remain relatively stable at just over one in five (22 percent). By 2010, because of the maturation of the baby boom, the proportion of older Americans is projected to rise dramatically; more than a quarter of the total U.S. population is expected to be at least 55 years old and one in seven Americans will be at least 65 years old. By 2030, one in three persons is expected to be 55 years or older and one in five will be 65-plus.

## Chart 1-2
## ESTIMATES AND PROJECTIONS OF MEDIAN AGE OF THE UNITED STATES POPULATION: 1950-2050



SOURCE: Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).

## Chart 1-3
## POPULATION 55 YEARS AND OVER BY AGE: 1900-2050



SOURCE: Taueber, Cynthia M., U.S. Bureau of the Census. "America in Transition: An Aging Society." *Current Population Reports* Series P-23, No. 128 (September 1983) (for years 1900–1980).

Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984) (for years 1990-2050).

### Table 1-2

### ACTUAL AND PROJECTED GROWTH OF THE OLDER POPULATION: 1900-2050

(Numbers in thousands)

| Year | Total population all ages | 55 to 64 years | | 65 to 74 years | | 75 to 84 years | | 85 years and over | | 65 years and over | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Number | Percent | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 1900 . . . . | 76,303 | 4,009 | 5.3 | 2,189 | 2.9 | 772 | 1.0 | 123 | 0.2 | 3,084 | 4.0 |
| 1910 . . . . | 91,972 | 5,054 | 5.5 | 2,793 | 3.0 | 989 | 1.1 | 167 | 0.2 | 3,950 | 4.3 |
| 1920 . . . . | 105,711 | 6,532 | 6.2 | 3,464 | 3.3 | 1,259 | 1.2 | 210 | 0.2 | 4,933 | 4.7 |
| 1930 . . . . | 122,775 | 8,397 | 6.8 | 4,721 | 3.8 | 1,641 | 1.3 | 272 | 0.2 | 6,634 | 5.4 |
| 1940 . . . . | 131,669 | 10,572 | 8.0 | 6,375 | 4.8 | 2,278 | 1.7 | 365 | 0.3 | 9,019 | 6.8 |
| 1950 . . . . | 150,967 | 13,295 | 8.8 | 8,415 | 5.6 | 3,278 | 2.2 | 577 | 0.4 | 12,270 | 8.1 |
| 1960 . . . . | 179,323 | 15,572 | 8.7 | 10,997 | 6.1 | 4,633 | 2.6 | 929 | 0.5 | 16,560 | 9.2 |
| 1970 . . . . | 203,302 | 18,608 | 9.2 | 12,447 | 6.1 | 6,124 | 3.0 | 1,409 | 0.7 | 19,980 | 9.8 |
| 1980 . . . . | 226,505 | 21,700 | 9.6 | 15,578 | 6.9 | 7,727 | 3.4 | 2,240 | 1.0 | 25,544 | 11.3 |
| 1990 . . . . | 249,657 | 21,051 | 8.4 | 18,035 | 7.2 | 10,349 | 4.1 | 3,313 | 1.3 | 31,697 | 12.7 |
| 2000 . . . . | 267,955 | 23,767 | 8.9 | 17,677 | 6.6 | 12,318 | 4.6 | 4,926 | 1.8 | 34,921 | 13.0 |
| 2010 . . . . | 283,238 | 34,848 | 12.3 | 20,318 | 7.2 | 12,326 | 4.4 | 6,551 | 2.3 | 39,195 | 13.8 |
| 2020 . . . . | 296,597 | 40,298 | 13.6 | 29,855 | 10.1 | 14,486 | 4.9 | 7,081 | 2.4 | 51,422 | 17.3 |
| 2030 . . . . | 304,807 | 34,025 | 11.2 | 34,535 | 11.3 | 21,434 | 7.0 | 8,612 | 2.8 | 64,581 | 21.2 |
| 2040 . . . . | 308,559 | 34,717 | 11.3 | 29,272 | 9.5 | 24,882 | 8.1 | 12,834 | 4.2 | 66,988 | 21.7 |
| 2050 . . . . | 309,488 | 37,327 | 12.1 | 30,114 | 9.7 | 21,263 | 6.9 | 16,034 | 5.2 | 67,411 | 21.8 |

SOURCES: Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).

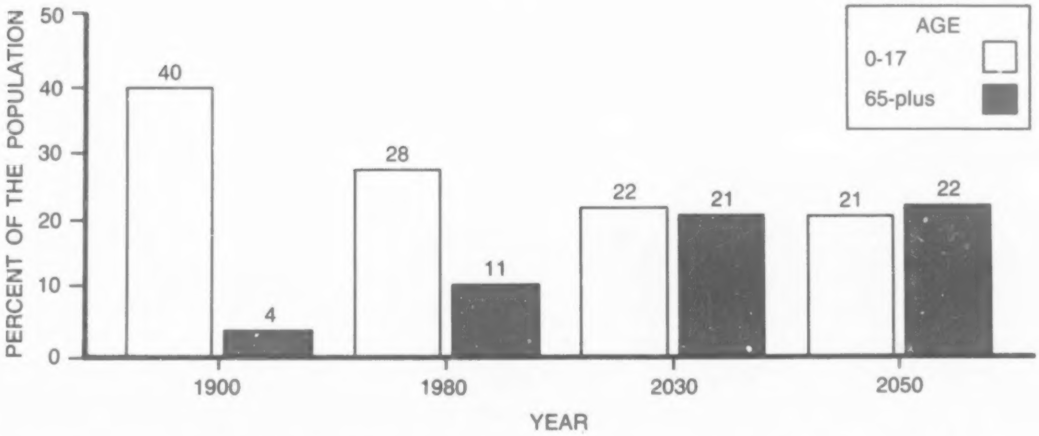
U.S. Bureau of the Census. Tabulated from Decennial Censuses of Population, 1900 to 1980.

One of the most dramatic examples of the changing age distribution of the American population is the shift in the proportion of elderly in relation to the proportion of young persons (chart 1-4). In 1900, four percent of the population was age 65 and over while young persons, age zero to 17 years, made up 40 percent of the population.

By 1980, the proportion of 65-plus persons had increased to 11 percent and proportion of young persons had decreased to 28 percent. U.S. Census Bureau projections indicate that, by the year 2030, the proportion of young persons and elderly will be almost equal, with persons under 18 equalling 22 percent and the elderly equaling 21 percent of the population.

**Chart 1-4**

**ACTUAL AND PROJECTED DISTRIBUTION OF CHILDREN AND ELDERLY IN THE POPULATION: 1900-2050**

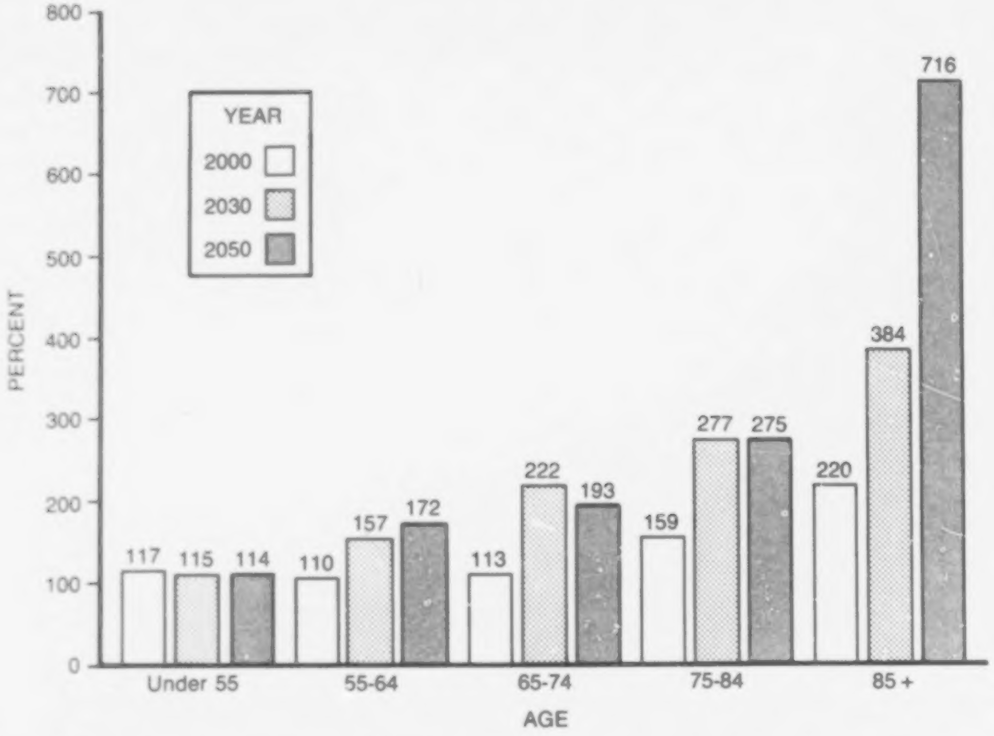


SOURCE: Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).
U.S. Bureau of the Census. 1900 Census of Population.

## THE 85-PLUS POPULATION IS ONE OF THE FASTEST GROWING AGE GROUPS

The 85-plus population is one of the fastest growing age groups in the country. Chart 1-5 displays the growth of this population in relation to projected growth in the under-55 population and to that of three other older age groups. This part of the population is expected to nearly quadruple in size between 1980 and 2030, and to be seven times as large in 2050 as in 1980 (table 1-2). The dramatic growth in the 85-plus population is also shown in chart 1-6, escalating from 123,000 in 1900, to 2.2 million in 1980, to a projected 16 million in 2050, and to more than 18 million by 2080. While the increase in the 85 and older population is one of the

### Chart 1-5
### PROJECTED GROWTH IN POPULATION, BY AGE GROUP: 1980-2050
### (1980 = 100%)



NOTE Bars represent projected population as a percent of 1980 population.

SOURCE Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No 952 (May 1984).

major achievements of improved disease prevention and health care in this century, it has far-reaching implications for public policy because of the high probability of health problems and need for health and social services for this age group.

Life expectancy at age 85 has increased 24 percent since 1960 and is projected to increase another 44 percent by 2040.[3] Between 1986 and 2050, the population aged 85 and over is expected to jump from about one percent to more than five percent of the total population and from ten percent to 24 percent of the 65-plus population.

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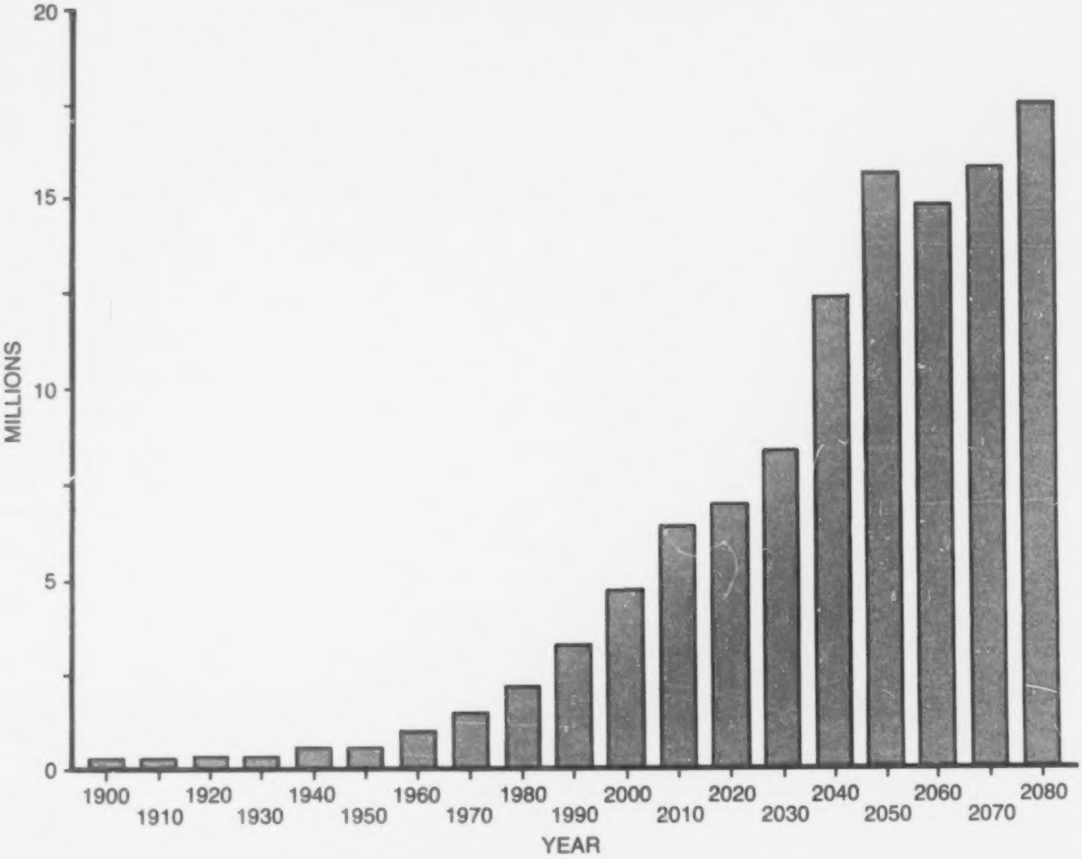
[3] Soldo, Beth and Kenneth G. Manton. "The Graying of America: Demographic Challenges for Socioeconomic Planning." *The Journal of Socio-Economic Planning Sciences* Vol. 19, No. 4 (1985), pages 227-247.

## Chart 1-6
## ACTUAL AND PROJECTED INCREASE IN POPULATION 85 YEARS AND OLDER:
## 1900-2080



SOURCE: Taueber, Cynthia M., U.S. Bureau of the Census. "America in Transition: An Aging Society." *Current Population Reports* Series P-23, No. 128 (September 1983).

Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).

More people are also surviving into their 10th and 11th decades. The Bureau of the Census estimates that there were about 15,000 people 100 years or older in 1980, and that this age group increased to about 25,000 by 1986. Because of the increase in the very old population, it is increasingly likely that older persons will themselves have at least one surviving parent. Four- and five-generation families are becoming more common.

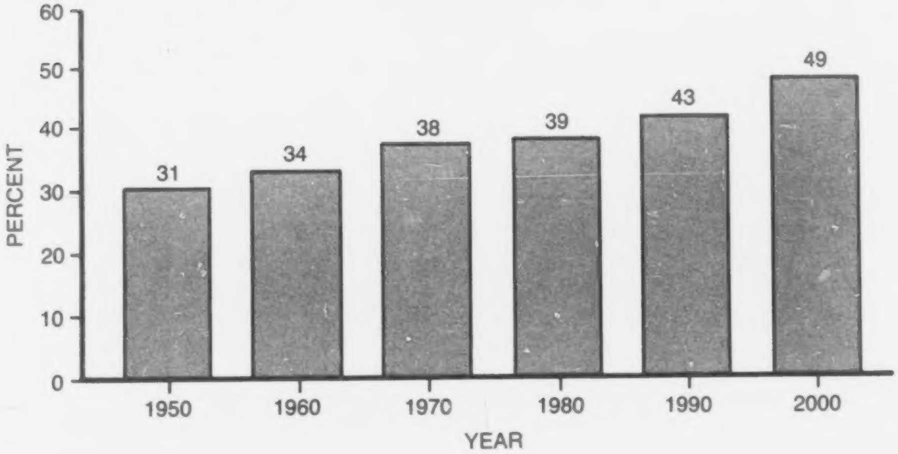
## THE ELDERLY POPULATION IS GROWING OLDER

With increases in the number of people surviving into the upper age ranges, the elderly population is growing older. In 1980, the young-old (age 65 to 74) outnumbered the oldest-old (age 75 or older) by three to two.

In 1986, there were 11 percent more 65-to-74-year-olds than in 1980, 17 percent more 75-to-84-year-olds, and 25 percent more persons 85 and over. By the turn of the century, half of the elderly population are expected to be age 65 to 74 and half will be age 75 or older (table 1-2 and chart 1-7).

**Chart 1-7**

**PERSONS AGE 75 AND OVER AS PERCENT OF PERSONS AGE 65 AND OVER, ACTUAL AND PROJECTED: 1950-2000**



SOURCES: Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).

U.S. Bureau of the Census. Decennial Censuses of the Population, 1950-1980.

# RACE AND ETHNICITY

## THE NONWHITE AND HISPANIC POPULATIONS HAVE SMALLER PROPORTIONS OF ELDERLY PERSONS THAN THE WHITE POPULATION

Today, the nonwhite and Hispanic populations have a smaller proportion of elderly than the white population (table 1-3). In 1986, 13 percent of whites were age 65 and over compared to only eight percent of nonwhites and five percent of Hispanics. The difference is a result of higher fertility for the nonwhite and Hispanic populations than the white population.

These proportions are expected to remain relatively stable during the next couple of decades. However, beginning in the early part of the next century, the proportion of elderly persons is expected to increase at a higher rate for the nonwhite and Hispanic populations than for the white population. Between 1985 and 2030, the white, non-Hispanic older population will grow by 97 percent compared to 265 percent for older blacks and other races and 530 percent for older Hispanics. Nevertheless, the percentage of elderly among white non-Hispanics in 2030 (24 percent) will still be higher than the percentage for blacks and other races (16 percent) and Hispanics (13 percent).

## ELDERLY WHITES DISPROPORTIONATELY OUTNUMBER ELDERLY NONWHITES AND HISPANICS

Whites are disproportionately represented in the elderly population. In 1986, 90 percent of the 65-plus population were white, ten percent were nonwhite, and three percent were Hispanic (may be of any race), while in the total population, 85 percent were white, 15 percent were nonwhite and eight percent were Hispanic (table 1-3). In the next century, the minority portion of the elderly population is expected to grow rapidly from 13 percent in 1985 to 21 percent in 2020 and 30 percent in 2050 (chart 1-8).

(NOTE: Hispanics may be of any race.)

## Table 1-3
## POPULATION BY RACE AND AGE: 1986

| Age | Total[1] | White | Black | Hispanic[2] |
|---|---|---|---|---|
| | Number (in thousands) | | | |
| 0-54 | 190,193 | 158,733 | 24,926 | 16,532 |
| 55-64 | 22,230 | 19,641 | 2,106 | 1,060 |
| 65-74 | 17,325 | 15,529 | 1,491 | 572 |
| 75-84 | 9,051 | 8,220 | 691 | 333[3] |
| 85-plus | 2,796 | 2,549 | 213 | |
| All ages | 241,596 | 204,671 | 29,427 | 18,497 |
| 55-plus | 51,403 | 45,938 | 4,501 | 1,965 |
| 65-plus | 29,173 | 26,297 | 2,395 | 905 |
| | Age distribution by race (percent) | | | |
| 0-54 | 79 | 78 | 85 | 89 |
| 55-64 | 9 | 10 | 7 | 6 |
| 65-74 | 7 | 8 | 5 | 3 |
| 75-84 | 4 | 4 | 2 | 2[3] |
| 85-plus | 1 | 1 | 1 | |
| All ages | 100 | 100 | 100 | 100 |
| 55-plus | 21 | 22 | 15 | 11 |
| 65-plus | 12 | 13 | 8 | 5 |
| | Race distribution by age (percent) | | | |
| 0-54 | 100 | 83 | 13 | 9 |
| 55-64 | 100 | 88 | 9 | 5 |
| 65-74 | 100 | 90 | 9 | 3 |
| 75-84 | 100 | 91 | 8 | 3[3] |
| 85-plus | 100 | 91 | 8 | |
| All ages | 100 | 85 | 12 | 8 |
| 55-plus | 100 | 89 | 9 | 4 |
| 65-plus | 100 | 90 | 8 | 3 |

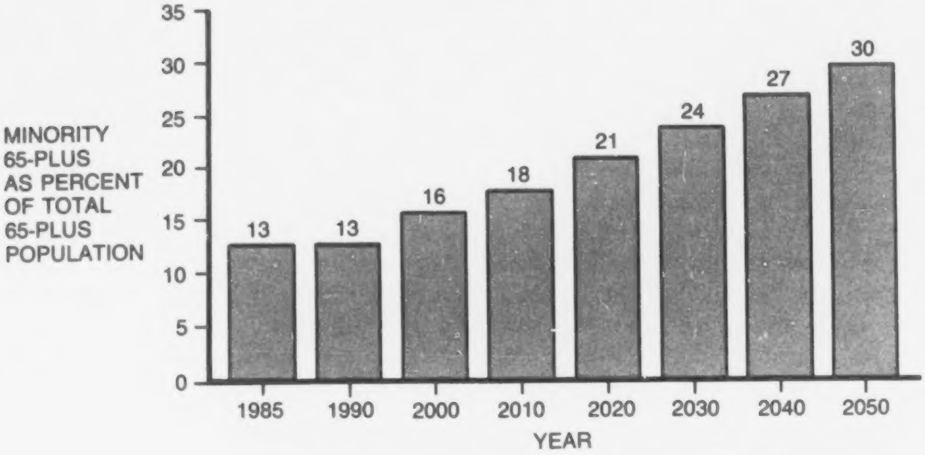
SOURCES: U.S. Bureau of Census. "Estimates of the Population of the United States, by Age, Sex, and Race: 1980 to 1986." *Current Population Reports* Series P-25, No. 1000 (February 1987).

U.S. Bureau of the Census. Unpublished estimates.

Percents may not add to 100 due to rounding.

[1] Includes Asian and Native American persons, which are not shown here as separate population groups.
[2] Hispanic persons may be of any race.
[3] Data are for persons 75-plus.

## Chart 1-8
## GROWTH OF THE MINORITY ELDERLY POPULATION: 1985-2050



SOURCE: Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Hispanic Population: 1983 to 2080." *Current Population Reports* Series P-25, No. 995 (November 1986).

# SEX RATIOS

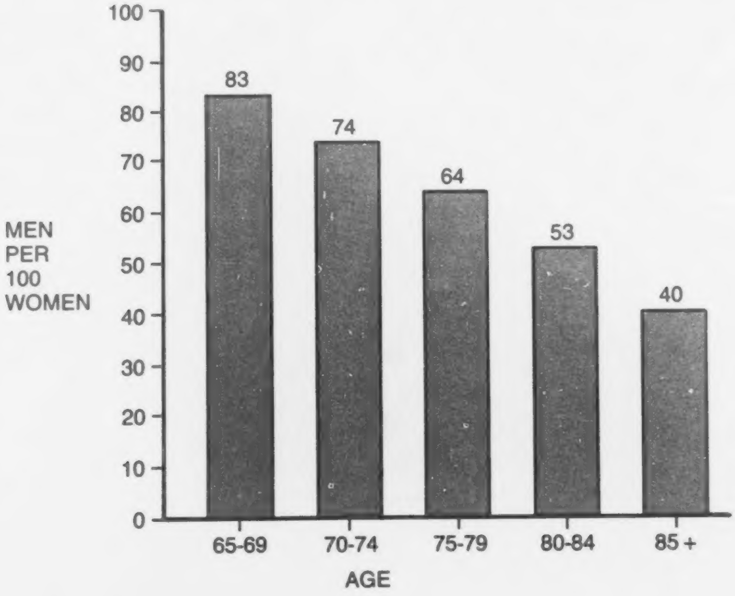
## OLDER WOMEN OUTNUMBER OLDER MEN

The ratio of females to males varies dramatically with age. In the under-20 age group, for instance, there were 34.5 million females versus 36.1 million males in 1986. The 30-to-34 year age group was evenly balanced at about 10.4 million each. But for the 65-plus age group, there were 17.4 million women and 11.8 million men. Elderly women now outnumber elderly men three to two, a considerable change from 1960 when the ratio of elderly females to elderly males was six to five.

This disparity becomes more marked in the upper age ranges. In 1986, there were 83 men between 65 and 69 years for every 100 women in that same age group. Among those 85 and over, there were only 40 men for every 100 women (chart 1-9). These statistics reflect the fact that, on the average, women live longer than men and, therefore, are more likely to end up living alone. Because of these factors, elderly women also average a longer period of retirement than elderly men.

Chart 1-9

NUMBER OF MEN PER 100 WOMEN BY ELDERLY AGE GROUP: 1986



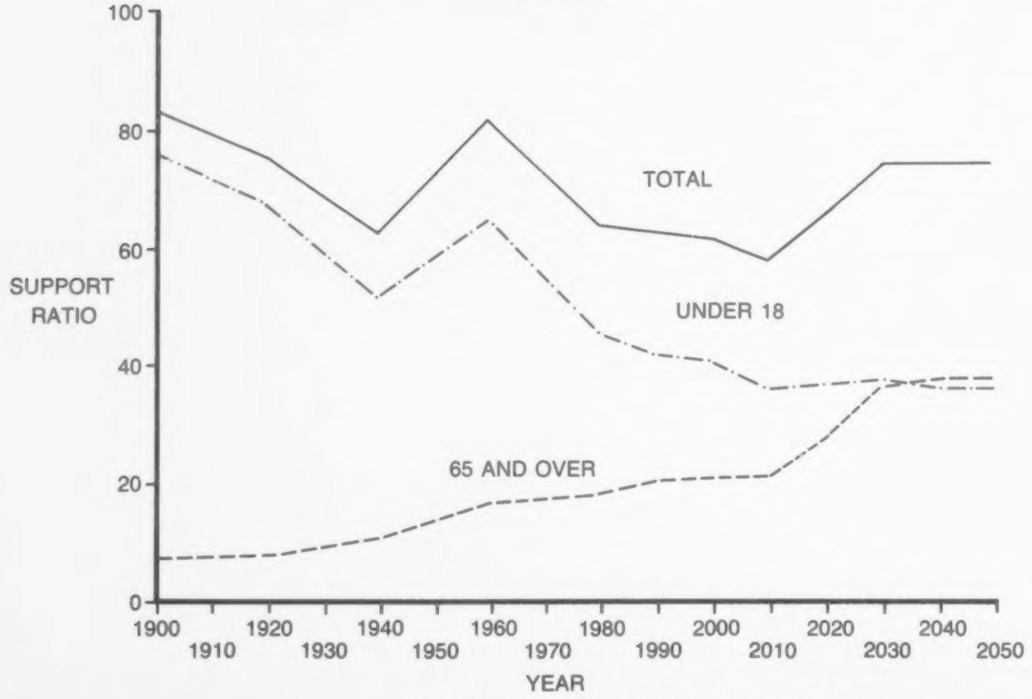
SOURCE: U.S. Bureau of the Census. "Estimates of the Population of the United States, by Age, Sex, and Race: 1980 to 1986." *Current Population Reports* Series P-25, No. 1000 (February 1987).

# SUPPORT RATIOS

## THE RATIO OF ELDERLY TO WORKING AGE PERSONS IS INCREASING DRAMATICALLY

The fact that people are living longer and families are having fewer children is changing the shape of the "elderly support ratio" (the number of 65-plus persons to persons of working age, 18 to 64 years). The average family with children in the early 1900s had four children; today, the average has fewer than two children. This factor, combined with the fact that average life expectancy has advanced by 27 years since 1900, is resulting in growth in the ratio of elderly persons compared to persons of working age. In 1900, there were about seven elderly persons for every 100 persons of working age; in 1986, this ratio was about 20 elderly persons per 100 of working age. By 2020, the ratio will rise to about 29 per 100 and is expected to increase rapidly to 37 per 100 by 2030 (chart 1-10 and table 1-4).

**Chart 1-10**
**YOUNG, ELDERLY, AND TOTAL SUPPORT RATIOS: 1900-2050**



SOURCES: Taueber, Cynthia M., U.S. Bureau of the Census. "America in Transition: An Aging Society." *Current Population Report* Series P-23, No. 128 (September 1983).

Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).

### Table 1-4
### YOUNG, ELDERLY, AND TOTAL SUPPORT RATIOS: 1900-2050

| Year | Elderly | Young | Total |
|---|---|---|---|
| 1900 | 7.4 | 76.3 | 83.7 |
| 1920 | 8.0 | 67.7 | 75.7 |
| 1940 | 10.9 | 51.9 | 62.8 |
| 1960 | 16.8 | 65.1 | 82.0 |
| 1980 | 18.6 | 45.8 | 64.4 |
| 1990 | 20.6 | 41.9 | 62.5 |
| 2000 | 21.1 | 40.7 | 61.8 |
| 2010 | 21.9 | 36.2 | 58.1 |
| 2020 | 28.7 | 36.9 | 65.6 |
| 2030 | 37.0 | 37.8 | 74.8 |
| 2040 | 37.9 | 36.7 | 74.6 |
| 2050 | 38.0 | 36.6 | 74.6 |

SOURCES: Taeuber, Cynthia M., U.S. Bureau of the Census. "America in Transition: An Aging Society." *Current Population Reports* Series P-23, No. 128 (September 1983).

Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).

The support ratio is important in economic terms because the working population can be thought of as supporting nonworking age groups. However, a "support" or dependency ratio is a crude measure since many younger and older persons are in the labor force and not dependent while many persons of labor force age may not be working. Dramatic changes in fertility rates could also shift projections. Although the total support ratio (young and old combined) is expected to increase in the next century, it has declined substantially since 1900. This would suggest that fewer economic demands are currently placed on working age Americans for supporting the young and the old.

From a public policy standpoint, however, the decline in the total support ratio, caused by a large decline in the number of children, masks the rise in the elderly support ratio. This is an important distinction because it is primarily publicly-funded programs which serve the elderly while mostly private (i.e., family) funds are directed toward support of the young. Nonetheless, the increasing demands on public programs caused by a burgeoning elderly population are, in large part, offset by declining demands on private funds for supporting children.

# LIFE EXPECTANCY

## THE UPWARD TREND IN LIFE EXPECTANCY IS CONTINUING

The average expectation of life at birth was at a record high in 1985. This increase continues a remarkable upward trend in life expectancy since the beginning of the century. The greatest gains occurred during the first half of the century largely due to dramatic reductions in deaths from infectious disease. A baby born in 1900 could expect to live an average of 47.3 years, while a baby born in 1985 could expect to live 74.7 years (table 1-5). Although in the early part of this century, increases in life expectancy were due to decreases in deaths of infants and children, most of the increasing life expectancy since 1970 has been due to decreased mortality among the middle-aged and elderly population.

**Table 1-5**

**LIFE EXPECTANCY AT BIRTH AND AGE 65 BY RACE AND SEX: 1900-1985**

| | All races | | | White | | | Black | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Both sexes | Male | Female | Both sexes | Male | Female | Both sexes | Male | Female |
| At Birth: | | | | | | | | | |
| 1900[1,2] | 47.3 | 46.3 | 48.3 | 47.6 | 46.6 | 48.7 | 33.0[3] | 32.5[3] | 33.5[3] |
| 1950[2] | 68.2 | 65.6 | 71.1 | 69.1 | 66.5 | 72.2 | 60.7 | 58.9 | 62.7 |
| 1960[2] | 69.7 | 66.6 | 73.1 | 70.6 | 67.4 | 74.1 | 63.2 | 60.7 | 65.9 |
| 1970 | 70.9 | 67.1 | 74.8 | 71.7 | 68.0 | 75.6 | 64.1 | 60.0 | 68.3 |
| 1980 | 73.7 | 70.0 | 77.4 | 74.4 | 70.7 | 78.1 | 68.1 | 63.8 | 72.5 |
| 1985[2,4] | 74.7 | 71.2 | 78.2 | 75.3 | 71.8 | 78.7 | 69.5 | 65.3 | 73.7 |
| At Age 65: | | | | | | | | | |
| 1900-02[1,2] | 11.9 | 11.5 | 12.2 | — | 11.5 | 12.2 | — | 10.4[3] | 11.4[3] |
| 1950[2] | 13.9 | 12.8 | 15.0 | — | 12.8 | 15.1 | 13.9 | 12.9 | 14.9 |
| 1960[2] | 14.3 | 12.8 | 15.8 | 14.4 | 12.9 | 15.9 | 13.9 | 12.7 | 15.1 |
| 1970 | 15.2 | 13.1 | 17.0 | 15.2 | 13.1 | 17.1 | 14.2 | 12.5 | 15.7 |
| 1980 | 16.4 | 14.1 | 18.3 | 16.5 | 14.2 | 18.4 | 15.1 | 13.0 | 16.8 |
| 1985[2,4] | 16.8 | 14.6 | 18.6 | 16.8 | 14.6 | 18.7 | 15.5 | 13.3 | 17.2 |

SOURCE: National Center for Health Statistics, *Health, United States, 1986*. DHHS Pub. No. (PHS)87-1232, Washington: Department of Health and Human Services, December 1986.

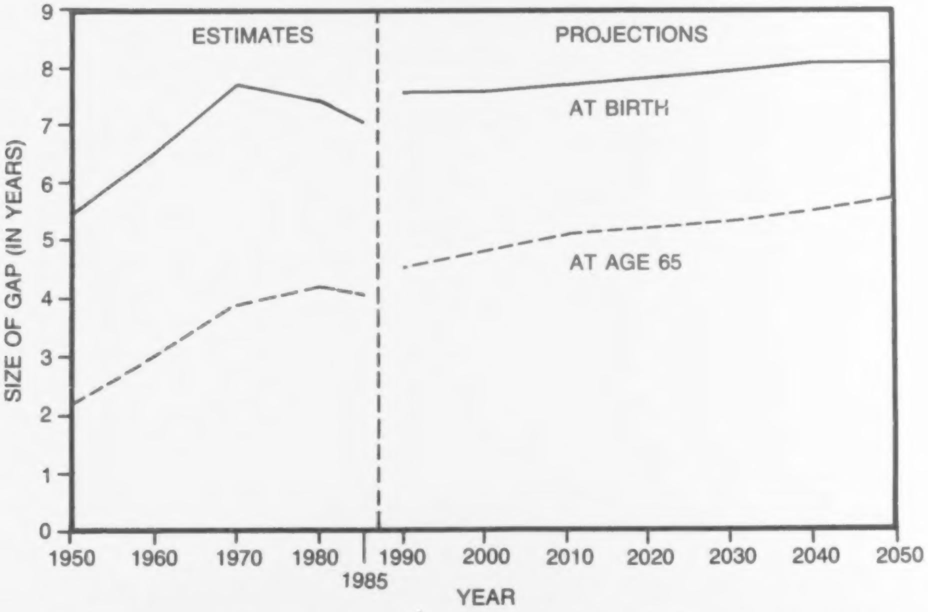
[1] Ten states and the District of Columbia.
[2] Includes deaths of nonresidents of the United States.
[3] Figure is for the nonwhite population.
[4] Provisional data.

## THE GAP IN FEMALE/MALE LIFE EXPECTANCY APPEARS TO BE DECREASING

Throughout this century, the increase in the number of years an individual can expect to live has been more significant for women than for men (chart 1-11 and tables 1-5 and 1-6). For instance, from 1950 to 1980, life expectancy at birth for the total population advanced by 5.5 years. For women, however, life expectancy at birth advanced by about 6.3 years; men advanced by only 4.4 years. Now, however, the gap in female/male life expectancy appears to be decreasing slightly. Between 1980 and 1985, life expectancy for males at birth increased by 1.2 years, slightly more than the eight-tenths of a year gain for females. The female/male differential in life expectancy at birth was 7.0 years in 1985, as compared to 7.4 years in 1980 and 7.7 years in 1970.

The Census Bureau's current population projections are predicated in part on a slight increase in this differential (chart 1-11). If the differential continues its recent decline, these projections will not reflect the gender composition of the future elderly population.

**Chart 1-11**
**GAP BETWEEN FEMALE AND MALE LIFE EXPECTANCY:**
**1950-2050**
**(female life expectancy minus male life expectancy)**



NOTE: Life expectancy estimates (1950–1985) shown in Chart 1-11 are taken from National Center for Health Statistics data while life expectancy projections (1990–2050) are drawn from Census Bureau data. The use of two different data bases accounts for the slight jump in the life expectancy differential between males and females from 1985 to 1990.

SOURCES: National Center for Health Statistics. *Health, United States, 1986* DHHS Pub. No. (PHS)87-1232, Washington: Department of Health and Human Services, December 1986.

Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States by Age, Sex, and Race: 1983 to 2080." *Current Population Reports* Series P-25, No. 952 (May 1984).

### Table 1-6
### PROJECTED LIFE EXPECTANCY AT BIRTH AND AGE 65 BY SEX: 1990-2050

| Year | At birth | | | At age 65 | | |
|---|---|---|---|---|---|---|
| | Male | Female | Difference | Male | Female | Difference |
| 1990 ....... | 71.6 | 79.2 | 7.6 | 15.0 | 19.5 | 4.5 |
| 2000 ....... | 72.9 | 80.5 | 7.6 | 15.7 | 20.5 | 4.8 |
| 2010 ....... | 73.8 | 81.5 | 7.7 | 16.1 | 21.2 | 5.1 |
| 2020 ....... | 74.2 | 82.0 | 7.8 | 16.5 | 21.7 | 5.2 |
| 2030 ....... | 74.6 | 82.5 | 7.9 | 16.8 | 22.1 | 5.3 |
| 2040 ....... | 75.0 | 83.1 | 8.1 | 17.1 | 22.6 | 5.5 |
| 2050 ....... | 75.5 | 83.6 | 8.1 | 17.4 | 23.1 | 5.7 |

SOURCE: Spencer, Gregory, U.S. Bureau of the Census. "Projections of the Population of the United States, by Age, Sex, and Race: 1983 to 2080." *Current Population Reports Series* P-25, No. 952 (May 1984).

Americans who reached their 65th birthdays in 1985 could expect, on average, to live another 16.8 years. Since 1900, life expectancy at age 65 has advanced significantly. Although life expectancy at birth showed greater increases in the first half of the century than life expectancy at age 65, in recent years, life expectancy at age 65 has been increasing more rapidly (table 1-5). Elderly men gained 3.1 years from 1900 to 1985 and elderly women gained 6.4 years. Projections for the future by the Bureau of the Census suggest that elderly men can expect to gain an additional 2.8 years by the year 2050, while women can expect to gain an additional 4.5 years (table 1-6).

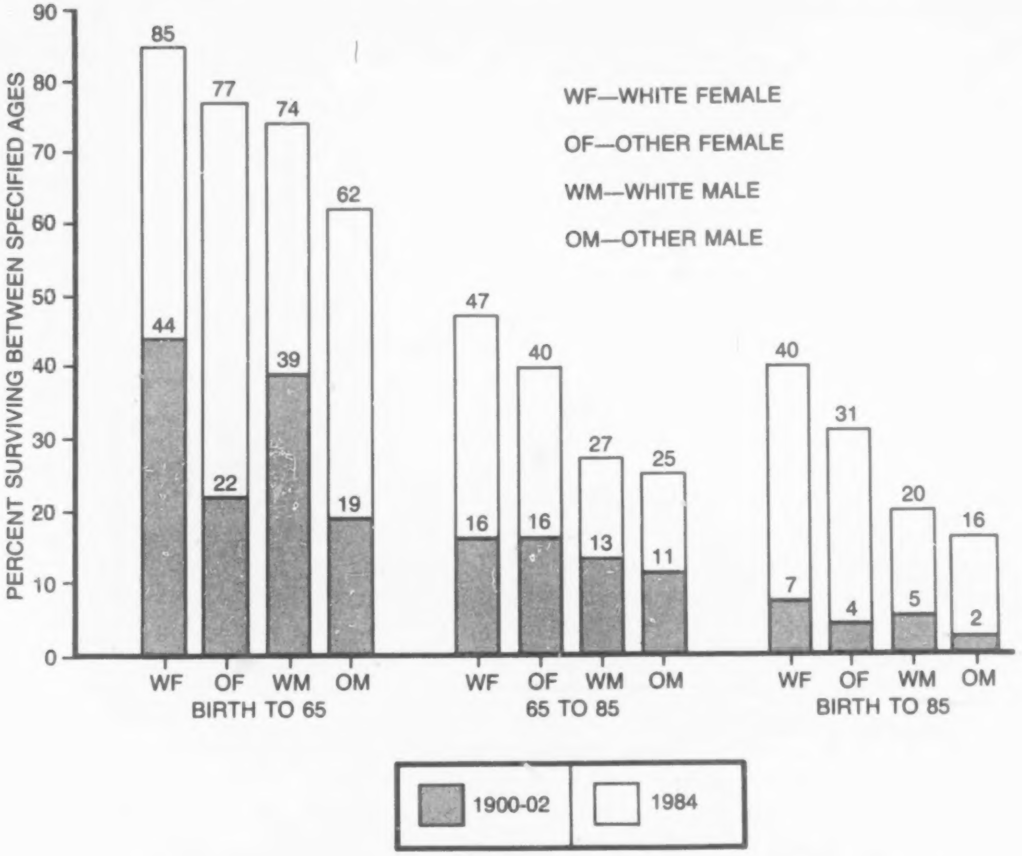
Although race and sex remain important factors in determining life expectancy, the relative importance of these factors has changed during this century (chart 1-12). During the 1900-02 period, race was the dominant factor in life expectancy. The survival rates of females and males were about the same but the rates for whites were about twice as high as the rates for blacks and other races. About four of every ten whites survived to age 65 compared to only two of every ten blacks and other races. By 1984, survival rates had improved considerably for all race and sex groups, but the rate for black females (77 percent) had surpassed that of white males (74 percent), making sex the dominant factor over race.

Less than ten percent of people living in the 1900-02 period would have survived to age 85 if the mortality rates of that period remained constant. In 1984, survival rates to age 85 had increased enormously for all race-sex groups. For example, about 40 percent of white females born in 1984 were projected to survive to age 85 compared to only seven percent in 1900-02.

## LIFE EXPECTANCY FOR BLACKS IS GROWING

Life expectancy at birth differs according to race, with whites living longer than blacks. However, this gap is also narrowing. In 1950, life expectancy at birth for whites was 8.4 years longer than blacks. In 1985, the difference was 5.8 years. From 1980 to 1985, the black population showed an increase of 1.4 years in life

## Chart 1-12
## PERCENT SURVIVING FROM BIRTH TO AGE 65 AND 85, BY SEX AND RACE: 1900-02 AND 1984



SOURCE: National Center for Health Statistics. *Vital Statistics of the United States, 1984*. Vol. II, Section 6 (Lifetables), March 1987.

expectancy, compared to 0.9 years for the white population. Differences in life expectancy by race at age 65, however, are smaller in terms of number of years and have been for decades. In 1985, at age 65, blacks could expect to live 15.5 more years, 1.3 years less than whites at that age. However, in relative terms, white life expectancy both at birth and at age 65 is about eight percent higher than black life expectancy. This relationship reverses in later years. In fact, life expectancy is higher for blacks after age 80 than for whites (table 1-5).

## WHITE WOMEN LIVE THE LONGEST

A significant hierarchy is evident for life expectancy of males and females by race. White females have the highest life expectancy at birth, followed by black females, white males, then black males. The largest recent gain in life expectancy has been for black females. From 1970 to 1985, black females gained 5.4 years, black males 5.3 years, white males 3.8 years, and white females 3.1 years.

(NOTE: Statistics for life expectancy reported in this section may differ slightly depending on the data source used.)

# VETERANS

## TWO-THIRDS OF ALL ELDERLY MEN WILL BE VETERANS BY THE END OF THIS CENTURY

Although the total veteran population is expected to decrease over the next five decades, the number and proportion of older veterans is increasing. This will result in considerable strain on the Veterans Administration health care system as large numbers of veterans age. In 1980, more than one in four of all American men 65 and over (27 percent) were veterans. By the year 2000, close to two-thirds (63 percent) of all elderly males will be veterans and eligible for benefits. This change is temporary, however. The proportion of veterans in the 65-plus male population will actually decrease after the turn of the century—by 2010 only half of elderly males will be veterans; by 2020 slightly over one-third will be veterans.

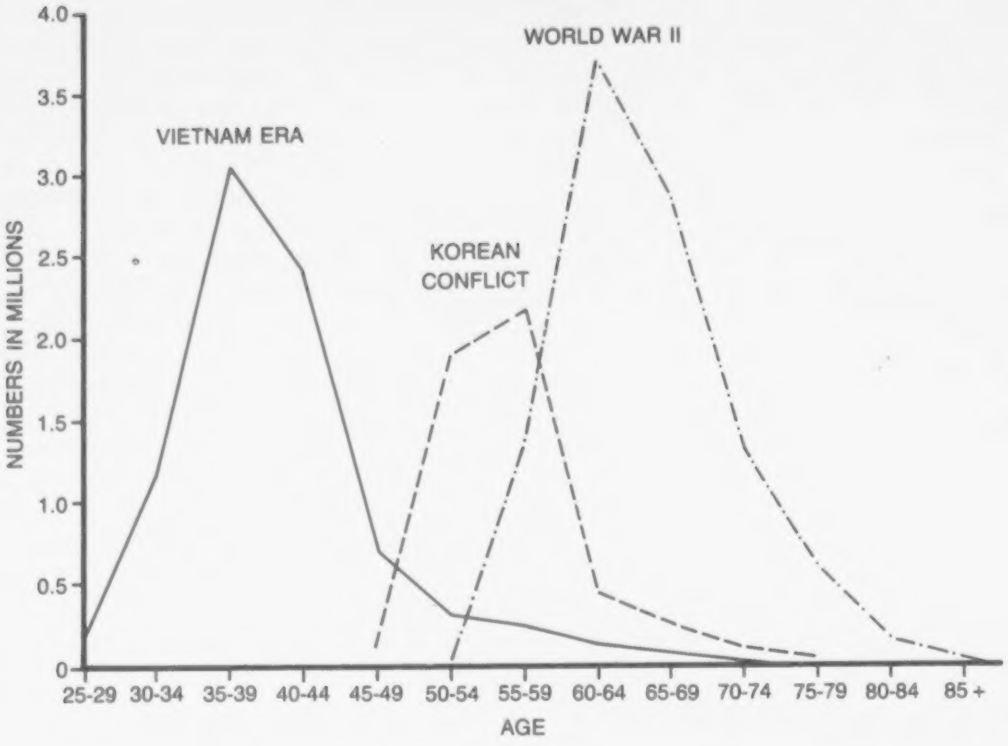
In 1986, there were 5.5 million veterans age 65 plus—19.9 percent of all veterans. The number of veterans correlates with periods of armed conflict. Chart 1-13 displays the "waves" of veterans according to their period of wartime service. (This chart does not include peacetime veterans.) By the year 2000, there are expected to be nine million elderly veterans. This number will drop back to 8.1 million in 2010 and 7.7 million in 2020.

Over 95 percent of all veterans are men, but due to the relatively large number of women serving in World War II and the Korean conflict, the number of aged female veterans is expected to grow, doubling by the year 2000 from 1980 levels. However, current projections estimate that only 4.4 percent of aged veterans will be females at the turn of the century. After the year 2000, the number of female veterans is expected to decrease temporarily only to increase steadily again after 2015 as women who served during the Vietnam war and the post-Vietnam era reach old age.

The number and proportion of veterans age 75-plus are also expected to increase. Today, 20 percent of all elderly veterans are age 75 and over. By 2000, 43 percent will be in this age group. This proportion is expected to increase gradually so that by 2030, 62 percent of all older veterans and 25 percent of all veterans will be 75-plus.

## Chart 1-13

## ESTIMATED NUMBER OF WARTIME VETERANS BY AGE AND PERIOD OF SERVICE: SEPTEMBER 1986



SOURCE: Veterans Administration. *Veteran Population: September 30, 1986*. Washington: Office of Information Management and Statistics, December 1986.

# GEOGRAPHIC DISTRIBUTION AND MOBILITY

## ALMOST HALF OF THE COUNTRY'S ELDERLY LIVE IN EIGHT STATES

In 1985, almost half of the country's older population lived in eight states: California, New York, Florida, Pennsylvania, Texas, Illinois, Ohio, and Michigan. Each of these states had over a million persons age 65-plus (table 1-7). In comparison, some states had very small older populations. Alaska, for instance, had the smallest number of elderly persons in 1986 (18,000), about three percent of its total population. However, Alaska, along with Nevada, also experienced the largest percent increases—over 50 percent—in their elderly populations between 1980 and 1986 (chart 1-14).

Sixteen of 21 northern states had percentages of elderly above the national average, while only nine out of 30 southern and western states, including the District of Columbia, were above the national level. Persons 65+ constituted 13.6 percent or more of the total population in ten states in 1986 (chart 1-15): Florida (17.7 percent); Pennsylvania, Rhode Island, Iowa, and Arkansas (14.0 to 14.9 percent); and South Dakota, Missouri, West Virginia, Nebraska, and Massachusetts (13.3 to 13.9 percent).

Florida has the largest proportion of residents aged 65-plus. In fact, the proportion of elderly in Florida—17.7 percent—is close to the proportion expected nationally in the year 2020. Florida is also the nation's oldest state, with a median age of 36.0 in 1986 as compared with the youngest state, Utah, with a median age of 25.5.

Houston, Texas, was the major metropolitan area with the smallest percentage of elderly in 1980, with less than seven percent. In absolute numbers, only the New York metropolitan area had over one million elderly residents at the time of the 1980 census.

## OLDER PERSONS CHANGE RESIDENCES LESS OFTEN THAN YOUNGER PERSONS

Today's older persons tend to remain where they have spent most of their adult lives. For both adults and children, rates of moving decline with increasing age. The highest rate of moving is among adults in their early 20s. Between 1983 and 1984, only 4.6 percent of older persons moved, compared to 34.1 percent of 20- to 24-year-olds and 16.8 percent of persons of all ages.[4]

As a result of younger people moving away and older people staying, some areas of the country are becoming "grayer." There are now over 500 rural and small town counties in which persons 65 and over make up at least 15 percent of

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[4] Dahmann, Donald C., U.S. Bureau of the Census. "Geographical Mobility: March 1983 to March 1984." *Current Population Reports* Series P-20, No. 407 (September 1986).

## Table 1-7

## RANK ORDER OF STATES BY SELECTED POPULATION CHARACTERISTICS OF THE 65+ POPULATION: 1986

| Number of persons 65+ | | | | Persons 65+ as percent of state's population | | | Percent change in number of persons 65+, 1980-1986 | | |
|---|---|---|---|---|---|---|---|---|---|
| Rank* | | State | Number (000s) | Rank | State | Percent | Rank | State | Percent |
| 1 | (1) | California | 2,848 | 1 | Florida | 17.7 | 1 | Alaska | 55.3 |
| 2 | (2) | New York | 2,283 | 2 | Pennsylvania | 14.6 | 2 | Nevada | 51.3 |
| 3 | (5) | Florida | 2,071 | 3 | Rhode Island | 14.6 | 3 | Hawaii | 35.8 |
| 4 | (4) | Pennsylvania | 1,736 | 4 | Iowa | 14.5 | 4 | Arizona | 33.2 |
| 5 | (3) | Texas | 1,583 | 5 | Arkansas | 14.5 | 5 | New Mexico | 24.5 |
| 6 | (6) | Illinois | 1,386 | 6 | South Dakota | 13.9 | 6 | South Carolina | 23.6 |
| 7 | (7) | Ohio | 1,320 | 7 | Missouri | 13.7 | 7 | Florida | 22.7 |
| 8 | (8) | Michigan | 1,039 | 8 | West Virginia | 13.6 | 8 | Delaware | 22.3 |
| 9 | (9) | New Jersey | 981 | 9 | Nebraska | 13.6 | 9 | Utah | 22.2 |
| 10 | (12) | Massachusetts | 794 | 10 | Massachusetts | 13.6 | 10 | North Carolina | 21.1 |
| 11 | (10) | North Carolina | 731 | 11 | Oregon | 13.4 | 11 | Washington | 20.5 |
| 12 | (15) | Missouri | 694 | 12 | Kansas | 13.4 | 12 | Virginia | 19.9 |
| 13 | (14) | Indiana | 657 | 13 | Maine | 13.3 | 13 | Idaho | 19.7 |
| 14 | (17) | Wisconsin | 624 | 14 | Connecticut | 13.3 | 14 | Maryland | 19.6 |
| 15 | (11) | Georgia | 608 | 15 | Wisconsin | 13.0 | 15 | Oregon | 19.3 |
| 16 | (13) | Virginia | 606 | 16 | North Dakota | 13.0 | 16 | Colorado | 18.9 |
| 17 | (16) | Tennessee | 590 | 17 | New Jersey | 12.9 | 17 | California | 18.0 |
| 18 | (21) | Minnesota | 526 | 18 | New York | 12.8 | 18 | Georgia | 17.7 |
| 19 | (20) | Washington | 520 | 19 | Minnesota | 12.5 | 19 | Montana | 17.3 |
| 20 | (22) | Alabama | 496 | 20 | Oklahoma | 12.4 | 20 | Connecticut | 15.8 |
| 21 | (19) | Maryland | 473 | 21 | Arizona | 12.3 | 21 | Texas | 15.5 |
| 22 | (18) | Louisiana | 454 | 22 | Ohio | 12.3 | 22 | New Hampshire | 15.2 |
| 23 | (23) | Kentucky | 449 | 23 | Tennessee | 12.3 | 23 | Wyoming | 14.5 |
| 24 | (28) | Connecticut | 423 | 24 | Alabama | 12.2 | 24 | New Jersey | 14.1 |
| 25 | (29) | Iowa | 414 | 25 | Dist. of Col. | 12.2 | 25 | Tennessee | 13.9 |
| 26 | (26) | Oklahoma | 411 | 26 | Montana | 12.1 | 26 | Michigan | 13.9 |
| 27 | (25) | Arizona | 409 | 27 | Kentucky | 12.0 | 27 | Pennsylvania | 13.4 |
| 28 | (30) | Oregon | 362 | 28 | Illinois | 12.0 | 28 | Ohio | 12.9 |
| 29 | (24) | South Carolina | 355 | 29 | Mississippi | 12.0 | 29 | Alabama | 12.8 |
| 30 | (33) | Arkansas | 344 | 30 | Indiana | 11.9 | 30 | Louisiana | 12.3 |
| 31 | (32) | Kansas | 330 | 31 | Vermont | 11.9 | 31 | Indiana | 12.1 |
| 32 | (31) | Mississippi | 314 | 32 | Washington | 11.7 | 32 | Rhode Island | 11.8 |
| 33 | (27) | Colorado | 294 | 33 | New Hampshire | 11.6 | 33 | Maine | 10.8 |
| 34 | (34) | West Virginia | 261 | 34 | North Carolina | 11.5 | 34 | Wisconsin | 10.7 |
| 35 | (36) | Nebraska | 217 | 35 | Delaware | 11.4 | 35 | Vermont | 10.6 |
| 36 | (38) | Maine | 156 | 36 | Michigan | 11.4 | 36 | Arkansas | 10.0 |
| 37 | (37) | New Mexico | 144 | 37 | Idaho | 11.2 | 37 | Illinois | 9.8 |
| 38 | (42) | Rhode Island | 142 | 38 | Maryland | 10.6 | 38 | West Virginia | 9.8 |
| 39 | (35) | Utah | 133 | 39 | California | 10.6 | 39 | Minnesota | 9.7 |
| 40 | (40) | New Hampshire | 119 | 40 | South Carolina | 10.5 | 40 | North Dakota | 9.6 |
| 41 | (41) | Idaho | 112 | 41 | Virginia | 10.5 | 41 | Kentucky | 9.5 |
| 42 | (39) | Hawaii | 103 | 42 | Nevada | 10.3 | 42 | Oklahoma | 9.3 |
| 43 | (43) | Nevada | 99 | 43 | Louisiana | 10.1 | 43 | Massachusetts | 9.2 |
| 44 | (44) | Montana | 99 | 44 | Georgia | 10.0 | 44 | Mississippi | 8.7 |
| 45 | (45) | South Dakotaa | 99 | 45 | New Mexico | 9.8 | 45 | South Dakota | 8.4 |

(continued on next page)

Table 1-7 (Cont.)

| Number of persons 65 + | | | Persons 65 + as percent of state's population | | | Percent change in number of persons 65 +, 1980-1986 | | |
|---|---|---|---|---|---|---|---|---|
| Rank* | State | Number (000s) | Rank | State | Percent | Rank | State | Percent |
| 46 (46) | North Dakota | 88 | 46 | Hawaii | 9.7 | 46 | Kansas | 7.7 |
| 47 (48) | Dist. of Col. | 77 | 47 | Texas | 9.5 | 47 | Missouri | 7.0 |
| 48 (47) | Delaware | 72 | 48 | Colorado | 9.0 | 48 | Iowa | 6.9 |
| 49 (49) | Vermont | 64 | 49 | Wyoming | 8.4 | 49 | Nebraska | 5.7 |
| 50 (51) | Wyoming | 43 | 50 | Utah | 8.0 | 50 | New York | 5.7 |
| 51 (50) | Alaska | 18 | 51 | Alaska | 3.4 | 51 | Dist. of Col. | 3.1 |

SOURCE: U.S. Bureau of the Census. "State Population and Household Estimates, With Age, Sex, and Components of Change: 1981 to 1986:" *Current Population Reports* Series P-25, No. 1010 (September 1987). Rankings compiled by the U.S. Administration on Aging.

NOTE: All rankings in this table are derived from unrounded numbers and percentages.

*Numbers in parentheses represent rank order of states based on population of all ages in 1986.

the total population; in 178 counties the elderly make up over 20 percent of the total population. Over half of these counties, especially in the nation's heartland, are agricultural areas where the older population has stayed on while the younger generation has moved out. Heavy out-migration of the young and relatively low fertility have contributed to a high proportion of elderly in such states as Iowa, Kansas, Missouri, Nebraska, South Dakota, Arkansas, Maine, Massachusetts, Rhode Island, and Pennsylvania. Other areas with an exceptionally high proportion of older persons are those to which the older population has relocated in retirement, such as Florida, the Ozark plateau in Arkansas, and the Texas hill country.

## IN 1980, FOR THE FIRST TIME, A GREATER NUMBER OF 65-PLUS PERSONS LIVED IN THE SUBURBS THAN IN THE CENTRAL CITIES

The growth of the suburban elderly population has touched every major region of the United States. According to results of a nationwide sample of 2,300 suburbs, the average suburban population in 1980 was 11.8 percent elderly.[5] For the first time, in 1980, a greater number of older persons lived in the suburbs (10.1 million) than in central cities (8.1 million). Older persons are found disproportionately in suburbs which were established before World War II. These older suburbs also have lower average resident income levels, more rental housing, lower home values, and higher population densities.

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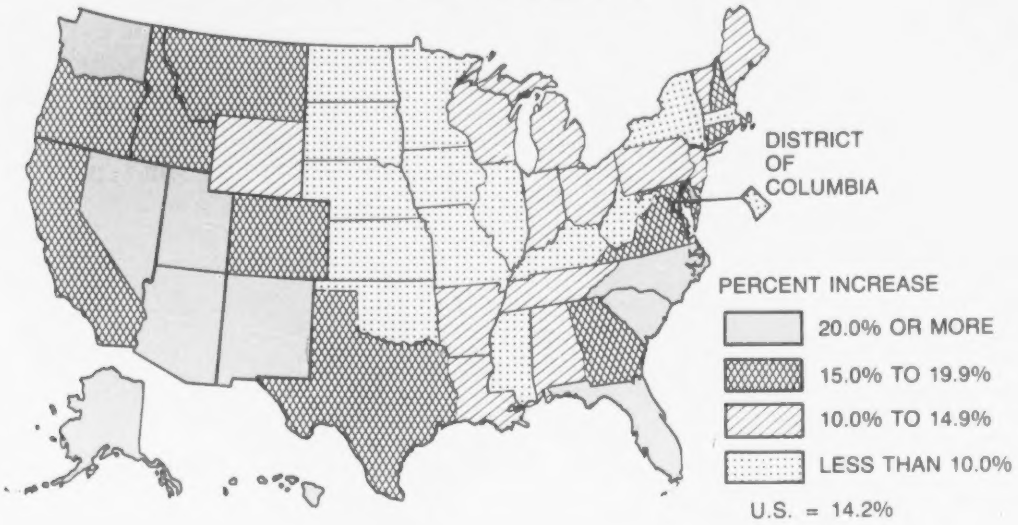
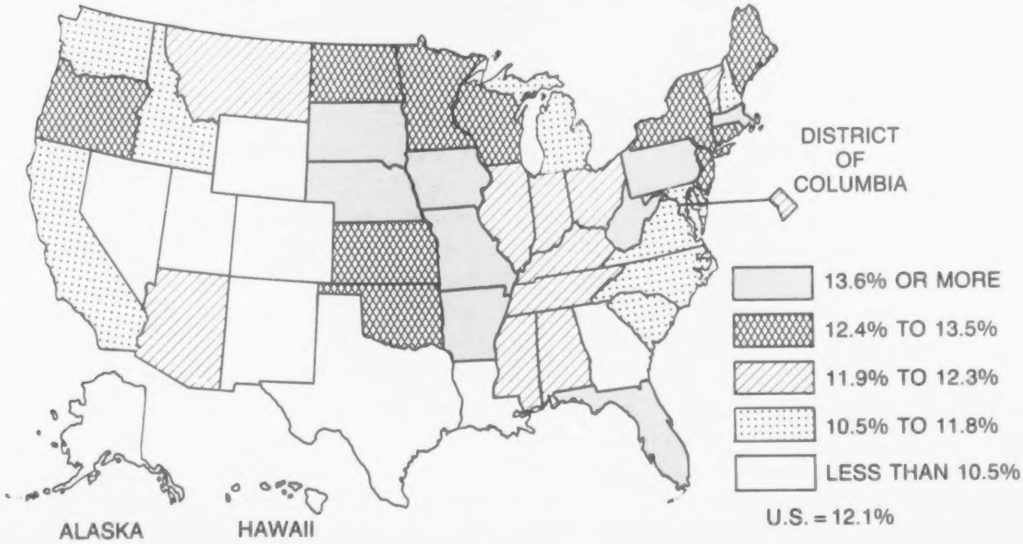
[5] Logan, John R. "The Graying of the Suburbs." Aging *Magazine*, U.S. Administration on Aging, No. 345 (1984).

### Chart 1-14
### PERCENT INCREASE IN POPULATION 65+: 1980-86


DISTRICT
OF
COLUMBIA
PERCENT INCREASE
20.0% OR MORE
15.0% TO 19.9%
10.0% TO 14.9%
LESS THAN 10.0%
U.S. = 14.2%

SOURCE: U.S. Bureau of the Census. "State Population and Household Estimates With Age, Sex, and Components of Change: 1981 to 1986." *Current Population Reports* Series P-25, No. 1010 (September 1987).

### Chart 1-15
### PERSONS 65+ AS PERCENTAGE OF TOTAL POPULATION: 1986


DISTRICT
OF
COLUMBIA
13.6% OR MORE
12.4% TO 13.5%
11.9% TO 12.3%
10.5% TO 11.8%
LESS THAN 10.5%
U.S. = 12.1%
ALASKA
HAWAII

SOURCE: U.S. Bureau of the Census. "State Population and Household Estimates With Age, Sex, and Components of Change: 1981 to 1986." *Current Population Reports* Series P-25, No. 1010 (September 1987).

## THOSE SENIORS WHO MOVE TEND TO MIGRATE TO THE SUNBELT

Other parts of the country—such as the Sunbelt states—are also experiencing an aging of their population due to the migration of older persons during their early retirement years. These retirees are following a general migration pattern occurring throughout the country (table 1-8 and chart 1-16).

**Table 1-8**

**PERCENT CHANGE IN POPULATION OF ALL AGES, CHILDREN, AND THE ELDERLY, BY REGION: 1980 TO 1986**
**(In thousands)**

| Region | All ages | | | Under 5 | | | 65 and over | | |
|---|---|---|---|---|---|---|---|---|---|
| | 1980 | 1986 | Percent change | 1980 | 1986 | Percent change | 1980 | 1986 | Percent change |
| Northeast . . . . | 49,135 | 50,017 | 1.8 | 3,103 | 3,353 | 8.1 | 6,072 | 6,698 | 10.3 |
| Midwest . . . . . | 58,866 | 59,313 | 0.8 | 4,380 | 4,394 | 0.3 | 6,692 | 7,394 | 10.5 |
| South . . . . . . . | 75,372 | 82,988 | 10.1 | 5,542 | 6,318 | 14.0 | 8,488 | 9,895 | 16.6 |
| West . . . . . . . . | 43,172 | 48,760 | 12.9 | 3,323 | 4,063 | 22.2 | 4,298 | 5,185 | 20.7 |

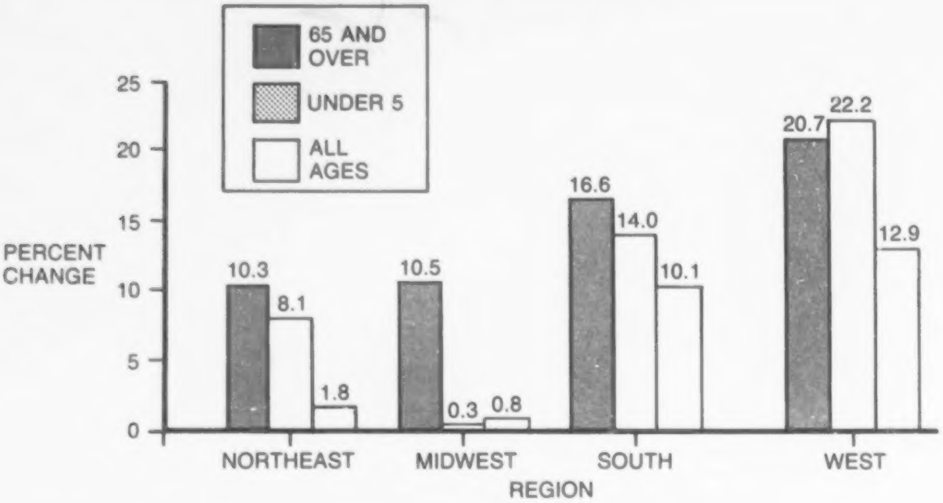
SOURCE: U.S. Bureau of the Census. "State Population and Household Estimates, With Age, Sex, and Components of Change: 1981-86." *Current Population Reports* Series P-25, No. 1010 (September 1987).

Between 1980 and 1986, the increase in the elderly population continued to be more rapid in the South and West. Although the growth rates for the elderly population in the Northeast and Midwest regions were generally less than the national average, the under-65 populations in many of these states are growing at much slower rates or even declining, resulting in relatively high concentrations of older people in these regions (chart 1-16).

The number of older persons who reported migrating from state to state was 50 percent higher in the 1970s than in the 1960s, according to estimates from the Retirement Migration Project, using data from the U.S. Bureau of the Census. Of the nearly 1.7 million Americans over the age of 60 who moved out-of-state between 1975 and 1980, nearly half went to five states: Florida, California, Arizona, Texas, or New Jersey. Three states had an especially large increase in the numbers of older immigrants between 1960 and 1980: Arizona showed a 215 percent increase, Texas a 191 percent increase, and Florida a 110 percent increase. Florida captured over one-quarter of all the interstate migrants over age 60 during the last two decades. New York is the top contributor of elderly state-to-state movers, while California is second, Illinois third, and Florida and New Jersey are fourth and fifth.

Older persons who move to another state are relatively affluent, well-educated, and are frequently accompanied by their spouses. Many older persons who move to nonmetropolitan areas are motivated by positive images of rural or small town life or negative views of metropolitan life. Most have existing ties to the new area, such as family, friends, or property.

Chart 1-16
PERCENT CHANGE IN POPULATION OF ALL AGES, CHILDREN, AND THE ELDERLY, BY REGION: 1980 TO 1986



SOURCE: U.S. Bureau of the Census. "State Population and Household Estimates With Age, Sex, and Components of Change: 1981 to 1986." *Current Population Reports* Series P-25, No. 1010 (September 1987).

## SOME SUNBELT RETIREES "COUNTERMIGRATE" TO THEIR HOME STATES

There is also recent evidence of a new trend called "countermigration" in which a small number of older people, who move to another state at retirement, are moving back home or to a state where family members live. Though this trend is relatively small in absolute numbers, it is statistically significant.

Findings from the Retirement Migration Project show that Florida lost significant numbers of elderly migrants to states outside the Sunbelt—namely Michigan, New York, Ohio, and Pennsylvania, all states which also send migrants to Florida. For example, 56 percent of the more than 9,000 elderly Florida residents who moved to New York between 1975 and 1980 were born in New York. The average age of these countermigrants was 73 years. This was more than double the number who moved to New York from Florida between 1965 and 1970. Another Sunbelt state, California, also lost older migrants to other areas—but not to states which generally lose large numbers to California. Those leaving the Sunbelt are more likely to have incomes below the poverty line, and many are disabled or are living in institutions or homes for the aged.

(NOTE: Data in this section on elderly migration are taken from The Retirement Migration Project, The Center for Social Research in Aging, The University of Miami, September 1984.)

# Chapter 2.
# Economic Status

# Economic Status

Older Americans as a group have a lower economic status than other adults in our society. This largely results from changes in status often associated with aging. In retirement, elderly persons lose earnings and become reliant instead upon Social Security benefits supplemented with pensions and the assets they have accumulated over their lifetimes. With limited potential to improve their income through work, older persons become economically vulnerable to circumstances over which they have no control: the loss of a spouse, deterioration of their health and self-sufficiency, Social Security and Medicare legislation, and inflation.

In recent years, there has been a growing perception that the economic status of the elderly as a group has improved significantly, and that they now have economic resources approximating those of the younger working population. Counting cash income alone, there remains a substantial discrepancy between the young and the old. However, many elderly have economic benefits and resources other than cash which enable them to meet their needs in retirement. If all of these additional resources could be converted to a cash value, the economic status of the elderly as a group would be closer to that of the nonelderly.

However, the economic status of the elderly is far more varied than that of any other age group. While some older persons have substantial resources, others have practically none. Comparisons of average statistics conceal the simple fact that an unusually high proportion of the elderly have incomes and other economic resources below or just barely above the poverty level.

# MEDIAN CASH INCOME

## OLDER PEOPLE HAVE SUBSTANTIALLY LOWER CASH INCOMES THAN THOSE UNDER 65

Compared strictly on the basis of money income, persons 65 and older, on average, receive substantially less income than those under 65. In 1986, the median income of families with heads aged 65 or older was $19,932, about 62 percent of the median income of families with heads age 25 to 64 ($32,368) (table 2-1 and chart 2-1). The median income of elderly individuals not living in families was $7,731, about 46 percent that of comparable nonelderly individuals ($16,880).[1]

### Table 2-1

### MEDIAN INCOME OF OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS: 1986

| Family type and age of head | Median income |
|---|---|
| Families: | |
| Head 25 to 64 | $32,368 |
| Head 65 and over | 19,932 |
| Unrelated individuals: | |
| 25 to 64 | 16,880 |
| 65 and over | 7,731 |

SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987).

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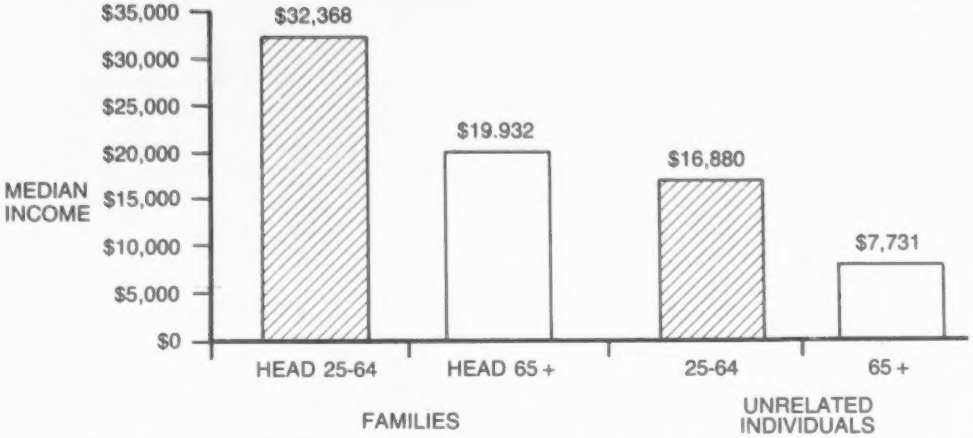
[1] The median income statistics in this chapter were calculated by the Congressional Research Service (CRS) from the U.S. Bureau of the Census, March 1986 Current Population Survey. CRS's calculated medians are derived from individual records and vary slightly from published Census Bureau statistics based on grouped data.

## Chart 2-1
## MEDIAN INCOME OF OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS: 1986

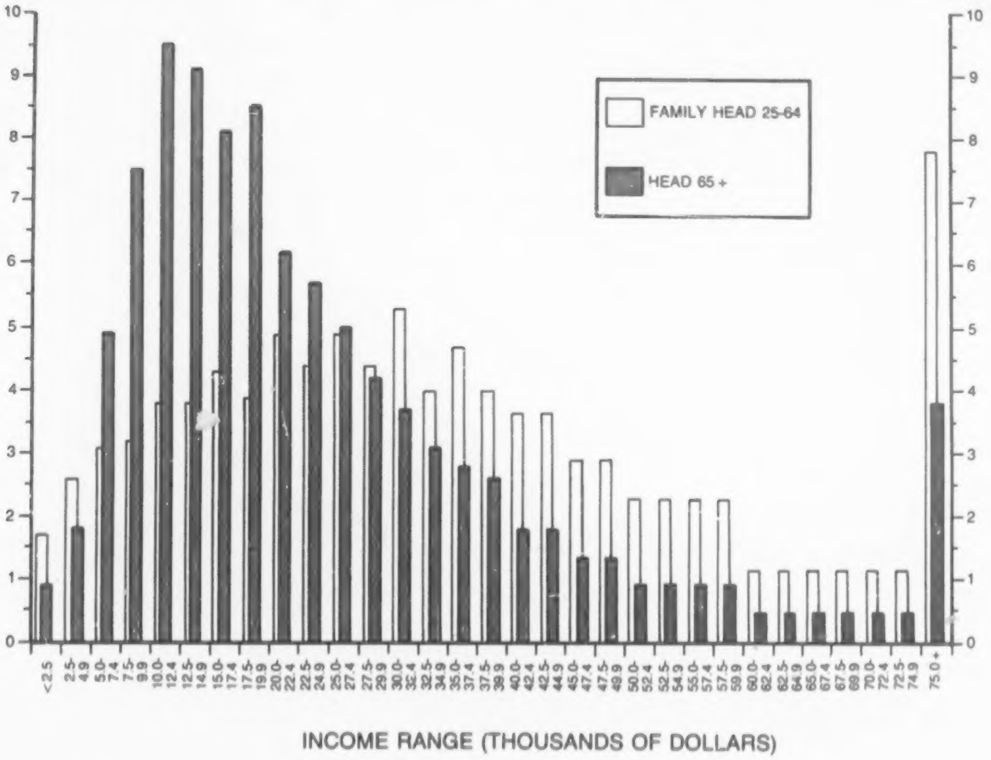


SOURCE: U.S. Bureau of the Census. 'Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987).

The distribution of money income is substantially more unequal among the elderly than it is among the nonelderly. In 1986, 34 percent of the families with a head age 65 or older had money incomes below $15,000, compared to only 18 percent of the nonelderly families. However, there is a greater concentration of nonelderly families than elderly families at the very lowest income level, indicating the better income protection available for the elderly poor as opposed to the nonelderly (chart 2-2).

## Chart 2-2

## DISTRIBUTION OF MONEY INCOME OF ELDERLY AND NON-ELDERLY FAMILIES: 1986



SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States, 1986." *Current Population Reports* Series P-60, No. 157 (July 1987).

NOTE: The data for chart 2-2 are plotted in intervals of $2,500, except for the last category ($75,000+). For intervals below $40,000, the data were taken directly from the Census Bureau source. For income between $40,000 and $75,000, the Census Bureau reports data in intervals larger than $2,500. Consequently, for chart 2-2, distribution estimates for income above $40,000 were derived by assuming a flat distribution in $2,500 segments within those larger intervals reported by the Census Bureau

# POVERTY STATUS

## WHILE THE ELDERLY ARE ABOUT AS LIKELY AS THE NONELDERLY TO BE POOR, A GREATER PROPORTION OF THE ELDERLY LIVE NEAR POVERTY

Elderly persons are more likely than other adults to be poor. However, when children are also considered, elderly poverty rates are slightly below poverty rates for the rest of the population. In 1986, 12.4 percent of persons 65 and older had incomes below the poverty level, compared to 10.8 percent of those age 18 to 64 and 13.7 percent of all persons under age 65.[2]

The elderly are much more likely than the nonelderly, however, to have incomes just above the poverty level. In 1986, 15.5 percent of persons aged 65 and older were in families with incomes between the poverty level and one-and-one-half times the poverty level. At the same time, only 8.4 percent of those under age 65 were in families with incomes which fell within this range (table 2-2, chart 2-3).

### Table 2-2
### ELDERLY AND NONELDERLY PERSONS BY RATIO OF INCOME TO POVERTY: 1986

| Ratio of income to poverty level | Number (in thousands) |  | Percent |  |
|---|---|---|---|---|
|  | Under 65 | 65 and older | Under 65 | 65 and older |
| Below poverty | 28,893 | 3,477 | 13.7 | 12.4 |
| 100 to 124 percent of poverty level | 8,850 | 2,266 | 4.2 | 8.1 |
| 125 to 149 percent of poverty level | 8,944 | 2,082 | 4.2 | 7.4 |
| Total below 150 percent of poverty level | 46,687 | 7,825 | 22.2 | 28.0 |

SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

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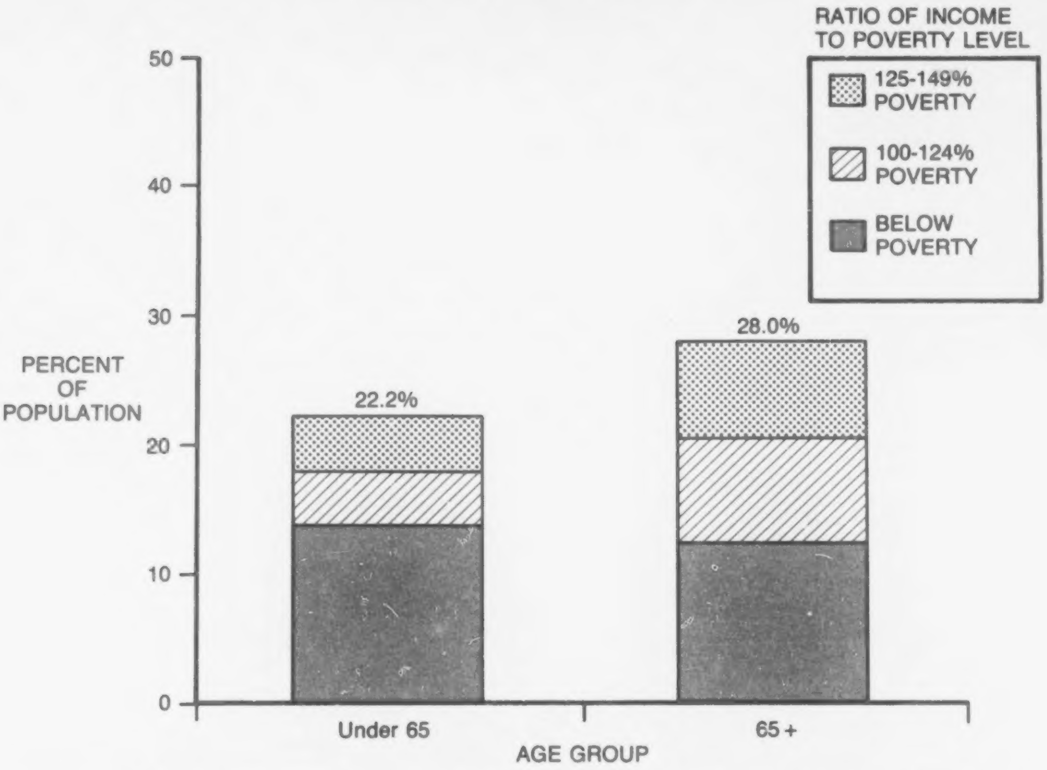
[2] Poverty is a measure of the adequacy of money income in relation to a minimal level of consumption (the poverty level). This level is fixed in real terms and adjusted for family size. The dollar values of the poverty levels are adjusted each year to reflect changes in the consumer price index (CPI). In 1986, the poverty level for a family of four was $11,203; for an elderly couple, $6,630; and for an elderly individual, $5,255.

Chart 2-3
PERCENT OF ELDERLY AND NONELDERLY POPULATION BELOW AND NEAR POVERTY LEVEL: 1986



SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

Poverty level data across age groups, however, cannot be considered exactly comparable. The Census Bureau uses a different poverty standard—or income threshold—when determining poverty among the elderly and the non-elderly. In 1986, unrelated individuals under 65 with incomes below $5,701 were considered poor while those 65 and older were not defined as poor unless their income was below $5,255. The differential among elderly and non-elderly couples was even greater—$7,372 versus $6,630.[3] Therefore, comparisons of data on poverty status for the elderly and non-elderly should take into account the assumptions regarding the existence and size of these differentials in poverty thresholds.

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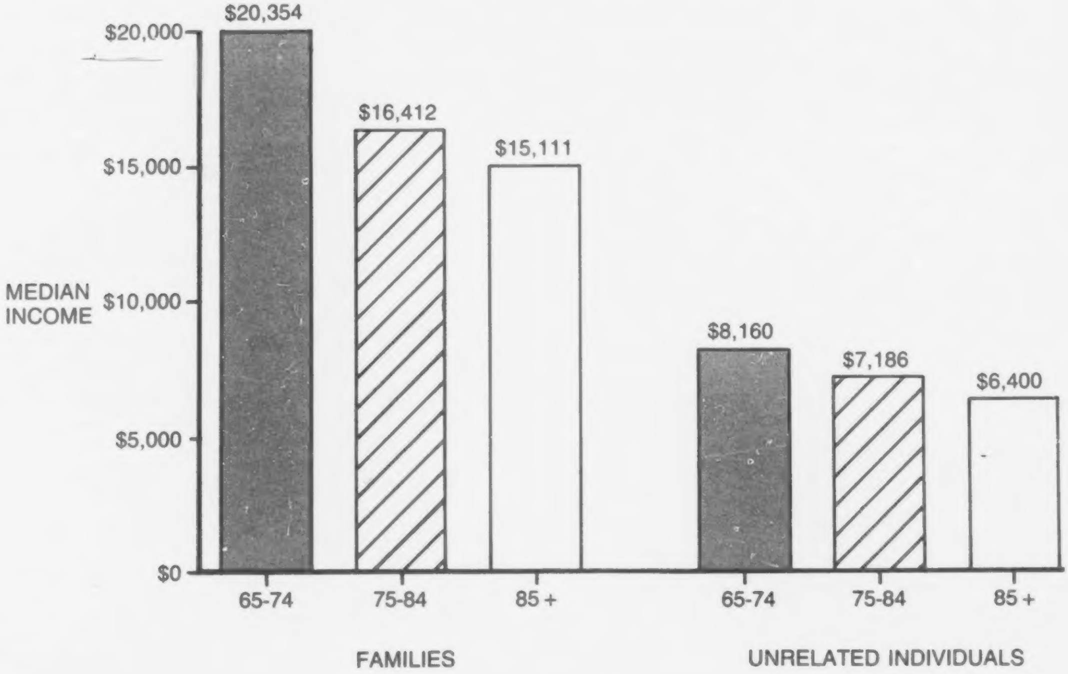
[3] U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987).

# AGE AND INCOME

## THE OLDEST AMONG THE ELDERLY HAVE THE LOWEST MONEY INCOMES

Persons who are 85 years of age or older have significantly lower money incomes than those who are 65 to 74 or 75 to 84 years old. In 1985, the median cash income of families aged 85 and older ($15,111) was less than three-quarters of the median cash income of families aged 65 to 74 ($20,354). The median income for single persons aged 85 and older ($6,400) was about 78 percent of the income of singles aged 65 to 74 ($8,160) (chart 2-4, table 2-3).

**Chart 2-4**
**MEDIAN INCOME OF ELDERLY FAMILIES AND UNRELATED INDIVIDUALS: 1985**



SOURCE: U.S. Bureau of the Census. Unpublished data from the Current Population Survey, March 1986, tabulated by the Congressional Research Service.

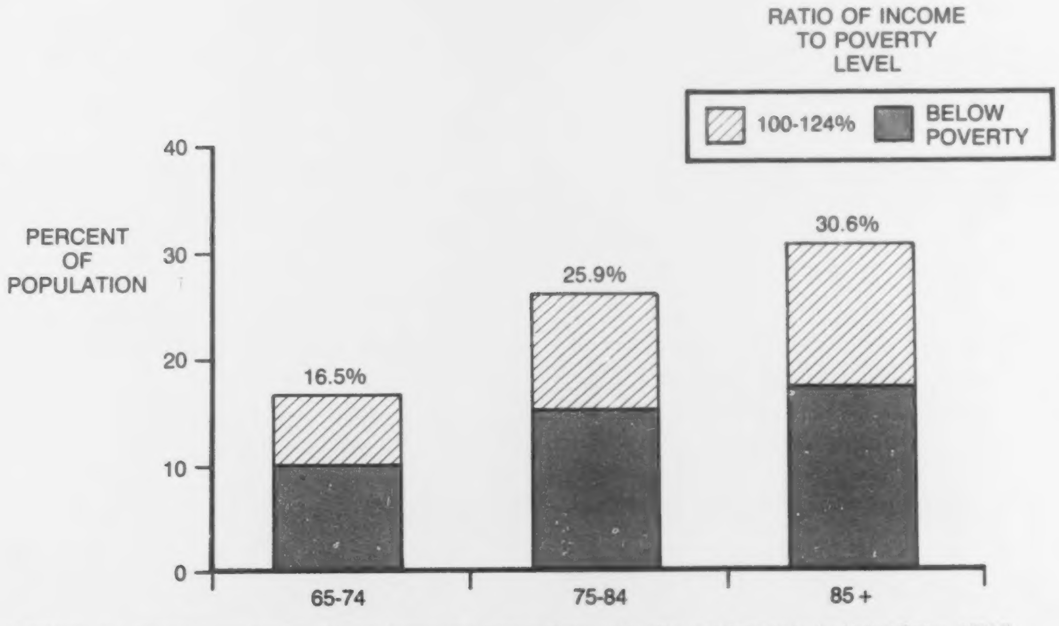
In addition, the oldest elderly are the most likely to have incomes below or just above the poverty level (chart 2-5). In 1986, the poverty rate for persons 85 and over was 17.6 percent—nearly twice the 10.3 percent rate of those 65 to 74 years old.

## Table 2-3
## MEDIAN INCOME OF OLDER AND YOUNGER FAMILIES AND UNRELATED INDIVIDUALS: 1985

| Type of unit and age | Median income |
|---|---|
| Families: | |
| Head 25 to 64 | $30,504 |
| Head 65 and over | 19,117 |
| 65 to 74 | 20,354 |
| 75 to 84 | 16,412 |
| 85 and over | 15,111 |
| Unrelated individuals: | |
| 25 to 64 | 16,064 |
| 65 and over | 7,476 |
| 65 to 74 | 8,160 |
| 75 to 84 | 7,186 |
| 85 and over | 6,400 |

SOURCE: U.S. Bureau of the Census. Unpublished data from the Current Population Survey, March 1986. Table prepared by the Congressional Research Service.

## Chart 2-5
## OLDER PERSONS BELOW AND NEAR POVERTY LEVEL BY AGE: 1986

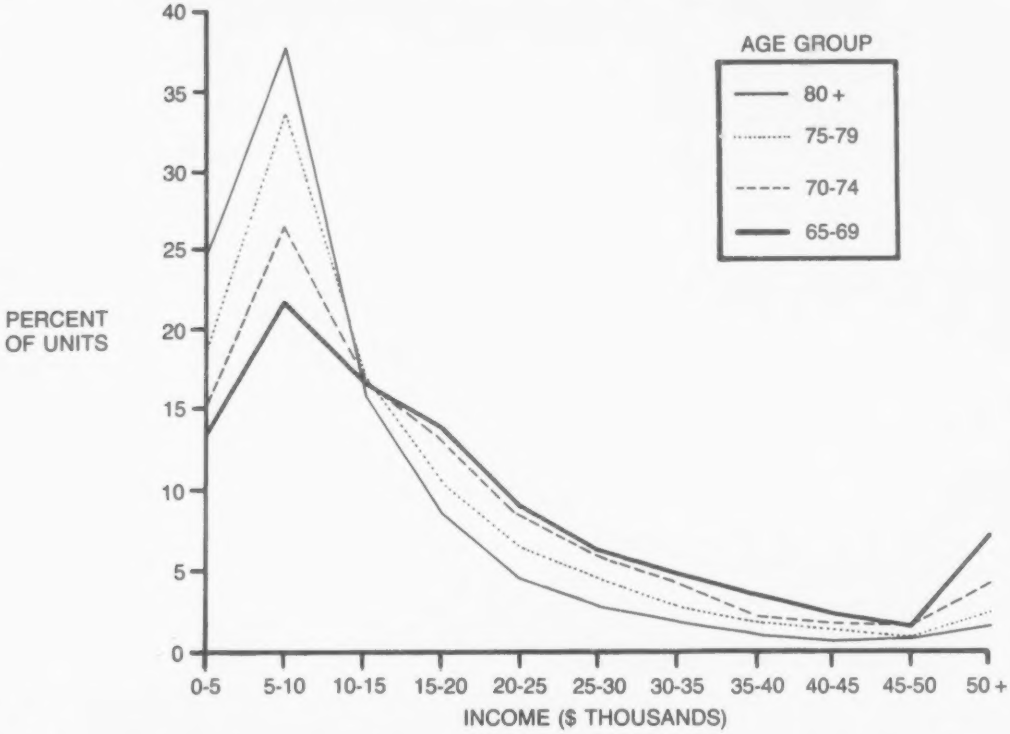


SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

Strictly on the basis of annual cash income, today's generation of the oldest old has substantially fewer resources than the young elderly. Not only is the median income of persons aged 85 and older substantially lower than the median for younger groups, but there is a much greater concentration of the oldest old in the lowest income ranges for older couples and unmarried persons (chart 2-6).

**Chart 2-6**

**INCOME OF ELDERLY COUPLES AND UNMARRIED PERSONS BY AGE: 1986**



SOURCE: Grad, Susan. *Income of the Population 55 or Over, 1986*. Pub. No. 13-11871, Washington: U.S. Social Security Administration, (forthcoming).

There are good reasons to believe that income declines with age. Two factors clearly contribute to this decline: changes in marital status and changes in sources of income. These relationships are explored in greater detail in subsequent sections on Sex/Marital Status and Income and on Composition of Income.

(NOTE: Some material included in the sections on Age and Income and Sex/Marital Status and Income appears in an article by G. Lawrence Atkins, "Making It Last: Economic Resources of the Oldest Old," in a forthcoming book published by Oxford Press.)

# SEX, MARITAL STATUS AND INCOME

## OLDER WOMEN HAVE LOWER MONEY INCOMES THAN OLDER MEN

The low money incomes of older women are largely associated with a pattern of lifelong economic dependency on men and with status changes that occur in old age. In 1986, the median income of elderly women was $6,425—56 percent that of elderly men ($11,544) (table 2-5). As shown in table 2-4, older women in every age group were substantially more likely to be poor than men of the same age. Overall, only 8.5 percent of the men 65 and older were poor compared to 15.2 percent of the women. The oldest women were the poorest—one in five women 85 years of age and older was poor in 1986. While women accounted for about 59 percent of the noninstitutionalized elderly population in 1986, they accounted for nearly three-quarters (71.8 percent) of the elderly poor.

Table 2-4

PERCENT OF OLDER PERSONS BY RATIO OF INCOME TO POVERTY LEVEL BY AGE AND SEX: 1986

| | Age | | | |
|---|---|---|---|---|
| Ratio of income to poverty level | 65 to 74 | 75 to 84 | 85 plus | Total 65 + |
| Both sexes: | | | | |
| Below poverty level | 10.3 | 15.3 | 17.6 | 12.4 |
| 100 to 124 percent of poverty level | 6.2 | 10.6 | 13.0 | 8.1 |
| Male: | | | | |
| Below poverty level | 7.0 | 10.7 | 13.3 | 8.5 |
| 100 to 124 percent of poverty level | 5.2 | 7.5 | 9.6 | 6.1 |
| Female: | | | | |
| Below poverty level | 13.0 | 18.1 | 19.7 | 15.2 |
| 100 to 124 percent of poverty level | 7.0 | 12.6 | 14.7 | 9.5 |

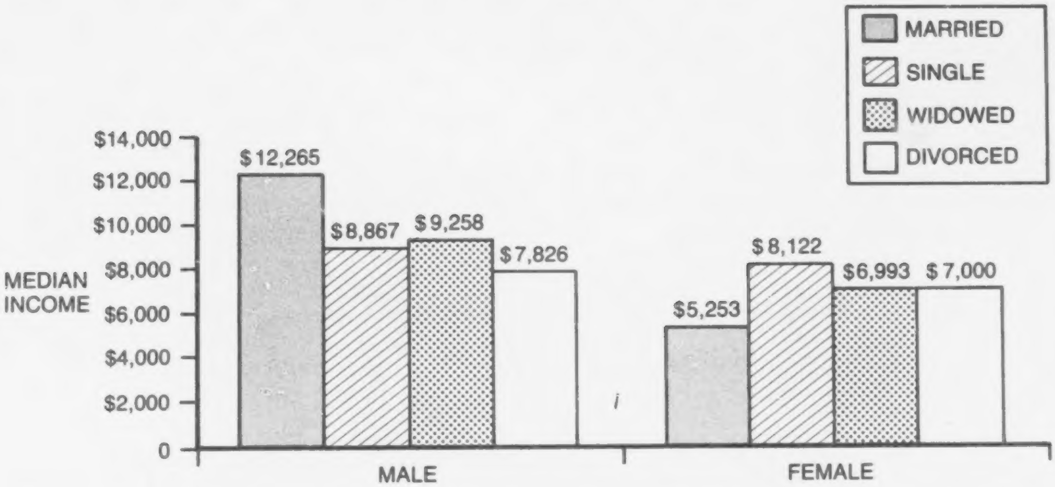
SOURCE: U.S. Bureau of the Census. "Money Income and Pvoerty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

Older women of every marital status had low personal incomes. Although married women had the lowest median income ($5,253) due largely to continuing dependence on the earnings or pension income of a male spouse, they were also likely to benefit from the income of a spouse, and married men had the highest median income ($12,265) of any group (chart 2-7 and table 2-5).

The economic status of women living alone was more precarious than that of married women due to lack of additional financial support. In 1986, widows and divorced women had the lowest and second-lowest median incomes of unmarried women, reflecting the loss of pension income and earnings often associated with divorce or the death of a wage-earning spouse. The median income of widowed women ($6,993) was 76 percent of that of widowed men ($9,258), since men are more likely to retain pension or earned income after the death of a spouse.

## Chart 2-7

## MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY SEX AND MARITAL STATUS: 1986



SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

## Table 2-5

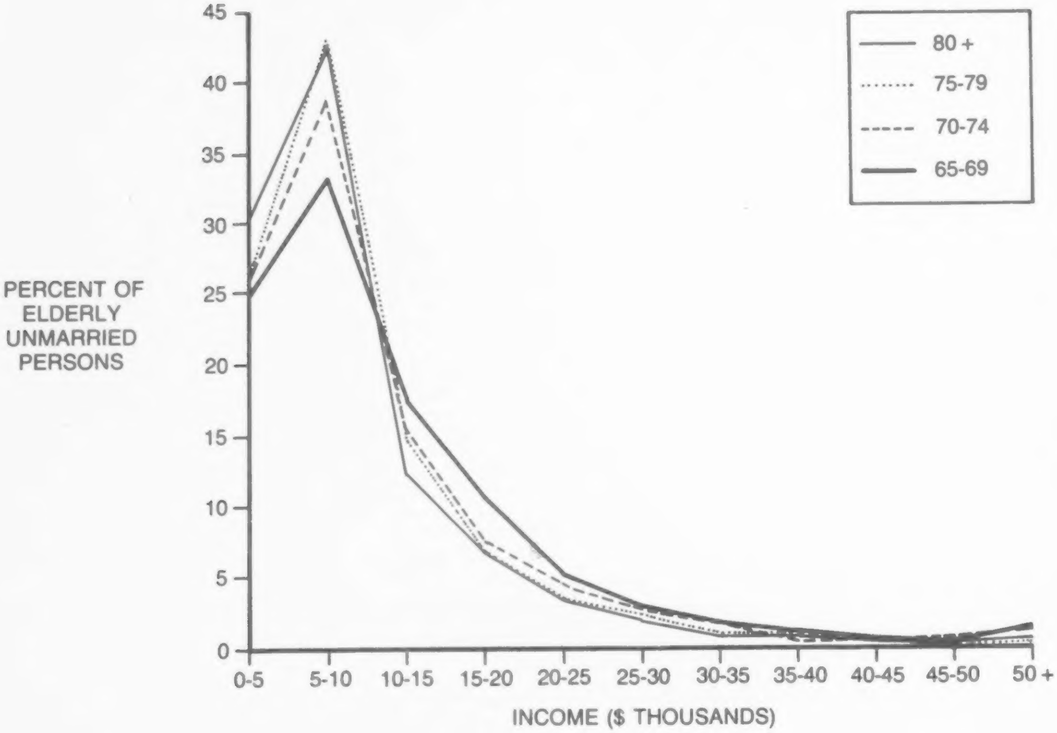
## MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY MARITAL STATUS: 1986

| Marital status | Both sexes | Male | Female |
|---|---|---|---|
| Married | $9,041 | $12,265 | $5,253 |
| Single | 8,381 | 8,867 | 8,122 |
| Widowed | 7,313 | 9,258 | 6,993 |
| Divorced | 7,406 | 7,826 | 7,000 |
| All persons 65 plus | 8,154 | 11,544 | 6,425 |

SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

Part of the difference between the income distributions of the oldest old and the youngest old appears to be attributable to the greater concentration of single persons in the oldest old population. The income distributions of different age groups of the single elderly are remarkably similar. Unmarried elderly persons are heavily concentrated in low income ranges with a sharply peaked distribution. The distribution is only slightly more peaked for the older single persons than for the younger ones, but the differences are minor (chart 2-8).

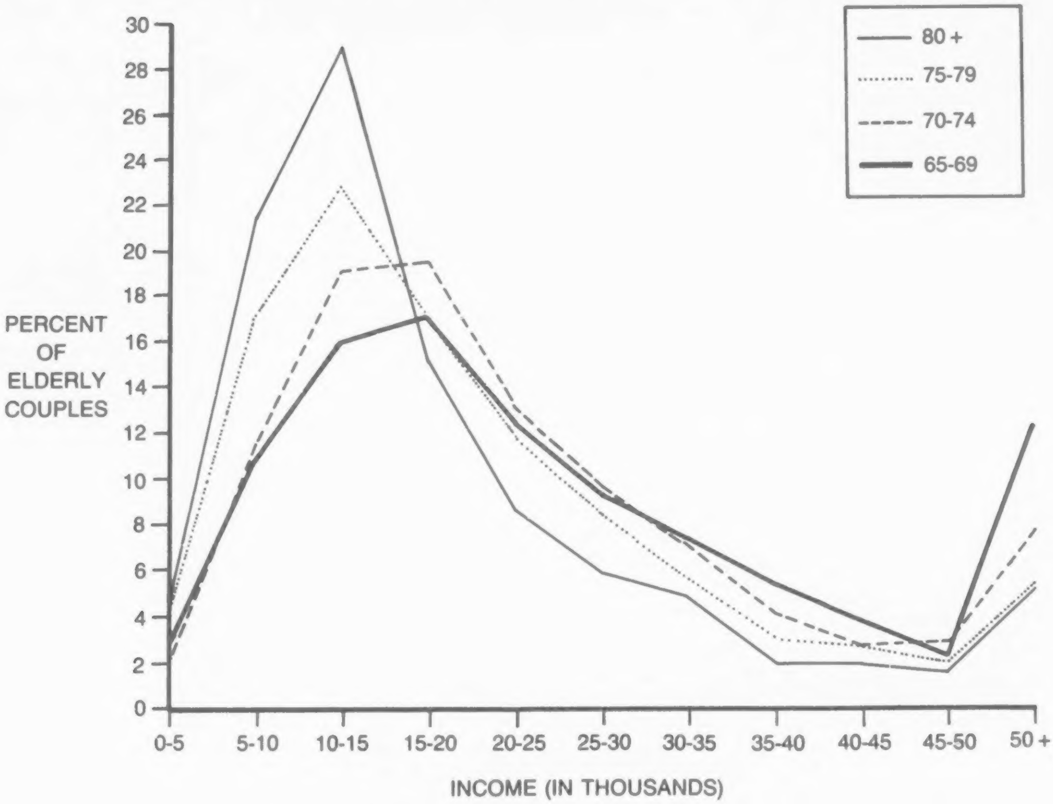
**Chart 2-8**
**INCOME OF ELDERLY UNMARRIED PERSONS BY AGE: 1986**



SOURCE: Grad, Susan. *Income of the Population 55 or Over, 1986*. Pub. No. 13-11871, Washington: U.S. Social Security Administration (forthcoming).

By contrast, the income distributions for elderly couples are flatter than for older single persons. The peaks in the income distributions for elderly couples occur between $10,000 and $20,000, whereas the peaks for elderly singles fall between $5,000 and $10,000. The distributions are somewhat more peaked for older couples than for younger ones (chart 2-9).

**Chart 2-9**
**INCOME OF ELDERLY COUPLES BY AGE: 1986**



SOURCE: Grad, Susan. *Income of the Population 55 or Over, 1986*. Pub. No. 13-11871, Washington: U.S. Social Security Administration (forthcoming).

The differences in the income distributions of single elderly persons compared to those of elderly couples imply that marital status change, particularly due to the death of a spouse, is an important factor contributing to age cohort differences in income among the elderly. More than half of the population aged 65-74 are married, while nearly three-quarters of those aged 85 and older are widowed.

# RACE AND INCOME

## MINORITY ELDERLY HAVE LOW MONEY INCOMES

Black and Hispanic elderly have substantially lower money incomes than their white counterparts. As shown in table 2-6, in 1986, the median income of black males age 65 plus ($6,757) was 56 percent of white males ($12,131), and that of Hispanic males age 65 plus ($7,369) was 61 percent of white males. Black and Hispanic women also had lower median incomes than their white counterparts. The median income of black women age 65 plus ($4,508) was 67 percent of white women ($6,738) and that of Hispanic women of the same ages ($4,583) was 68 percent of white females.

**Table 2-6**

**MEDIAN INCOME OF PERSONS AGE 65 AND OLDER BY AGE, RACE, HISPANIC ORIGIN, AND SEX: 1986**

| Race and Hispanic origin | Both sexes | | | Male | | | Female | | |
|---|---|---|---|---|---|---|---|---|---|
| | 65 plus | 65-69 | 70 plus | 65 plus | 65-69 | 70 plus | 65 plus | 65-69 | 70 plus |
| All races | $8,154 | $ 9,407 | $7,729 | $11,544 | $13,304 | $10,581 | $6,425 | $6,671 | $6,346 |
| White | 8,544 | 10,032 | 8,083 | 12,131 | 14,041 | 11,130 | 6,738 | 7,045 | 6,639 |
| Black | 5,030 | 5,455 | 4,901 | 6,757 | 7,078 | 6,577 | 4,508 | 4,625 | 4,464 |
| Hispanic[1] | 5,510 | 5,655 | 5,400 | 7,369 | 8,083 | 7,060 | 4,583 | 4,466 | 4,622 |

SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

[1] Hispanic persons may be of any race.

As shown in table 2-7, poverty rates are much higher among minority elderly than among white elderly. In 1986, the poverty rate among black elderly (31.0 percent) was nearly triple, and among Hispanic elderly (22.5 percent), more than double the poverty rate among white elderly (10.7 percent). Nearly half (44.7 percent) of all black older persons and about one-third (32.9 percent) of older Hispanics had incomes below 125 percent of the poverty level compared to about one-sixth (18.3 percent) of older white persons.

Poverty rates are higher for persons who are not living in families. The highest poverty rates are exhibited by minority women living alone. In 1986, over half of elderly black women (59.8 percent) and older Hispanic women (55.1 percent) not living with family had incomes below the poverty level (table 2-7).

Although the information is presented in slightly different formats, the data displayed in table 2-7 and chart 2-10 indicate the disparities among various elderly sub-populations according to sex, race, and family relationships by median income as compared with the poverty level for families and individuals.

### Table 2-7

### NUMBER AND PERCENT OF ELDERLY BELOW POVERTY BY RACE, HISPANIC ORIGIN, SEX, AND LIVING ARRANGEMENT: 1986

| | Living arrangement of persons below poverty level | | | | | |
|---|---|---|---|---|---|---|
| | Number (thousands) | | | Percent | | |
| Race and Hispanic origin | In families | Unrelated individuals | Total | In families | Unrelated individuals | Total |
| White: | | | | | | |
| Male | 420 | 304 | 724 | 4.9 | 16.7 | 6.9 |
| Female | 442 | 1,523 | 1,965 | 5.3 | 23.7 | 13.3 |
| Total | 862 | 1,827 | 2,689 | 5.1 | 22.1 | 10.7 |
| Black: | | | | | | |
| Male | 129 | 97 | 226 | 18.7 | 39.8 | 24.2 |
| Female | 144 | 352 | 496 | 17.8 | 59.8 | 35.5 |
| Total | 273 | 449 | 722 | 18.2 | 53.9 | 31.0 |
| Hispanic[1]: | | | | | | |
| Male | 49 | 24 | 73 | 15.1 | (B) | 18.8 |
| Female | 44 | 87 | 131 | 12.2 | 55.1 | 25.2 |
| Total | 93 | 111 | 204 | 13.6 | 50.2 | 22.5 |
| All races: | | | | | | |
| Male | 566 | 412 | 978 | 6.0 | 19.6 | 8.5 |
| Female | 599 | 1,899 | 2,498 | 6.4 | 26.8 | 15.2 |
| Total | 1,166 | 2,311 | 3,477 | 6.2 | 25.2 | 12.4 |

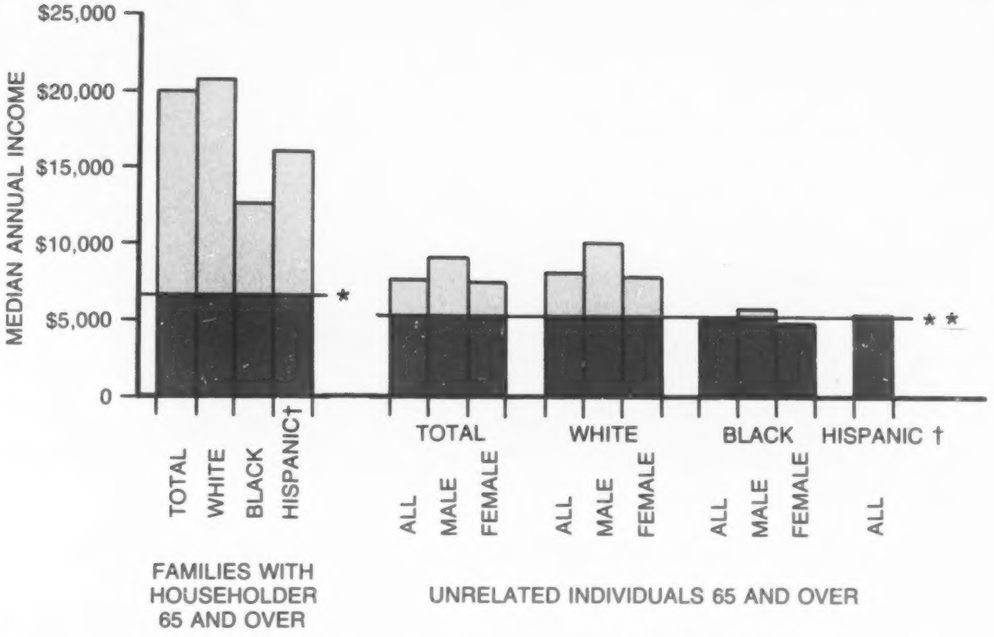
SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

[1] Hispanic persons may be of any race.

(B) Percentage not shown if base population is less than 75,000.

## Chart 2-10

## MEDIAN INCOME OF FAMILIES AND UNRELATED INDIVIDUALS AGE 65 AND OLDER BY RACE, HISPANIC ORIGIN, AND SEX, COMPARED TO POVERTY LEVELS: 1986



SOURCE: U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

* Poverty level for elderly two-person families in 1986 was $6,630.

** Poverty level for elderly individuals in 1986 was $5,255.

† Hispanic persons may be of any race. Data are not available for Hispanic male and female unrelated individuals for 1986 at press time.

# SOURCES OF INCOME, RESIDENCE, EDUCATION, AND OTHER FACTORS

## MULTIPLE FACTORS PRODUCE VERY HIGH POVERTY RATES

As noted above, the elderly population as a whole has a higher poverty rate than the balance of the adult population, but some subgroups of this population have even higher poverty rates. The subgroups that have been growing most rapidly in number—women, minorities, and those who live alone—have poverty rates above the average for all older people. These subgroups represent seven of every ten noninstitutionalized older people but nine of every ten elderly poor persons. The oldest of the old also have poverty rates well above the average for the elderly.

Other groups with high poverty rates within the older population include people who did not work in the previous year, residents of nonmetropolitan areas or of poverty areas in large cities, widows, people with little formal education, the ill or disabled, and people who rely on social security as their sole source of income (chart 2-11).

People with several of these characteristics have an even greater chance of being poor. For example, nearly half (46 percent) of blacks who did not work in 1986 and reported that they were not working because of illness or disability reported incomes below the poverty level. Furthermore, nearly two of every three (64 percent) black women who lived alone and were 72 years of age or older were poor.

Poverty is also more likely to be long-term among the elderly than among the general population. Studies conducted by the Institute for Social Research at the University of Michigan on long-term family income trends suggest that the greater permanency of poverty experienced by older Americans as compared to the rest of the population exists because the elderly poor have limited opportunities to escape poverty through the two most common means—a decent job or marriage.[4]

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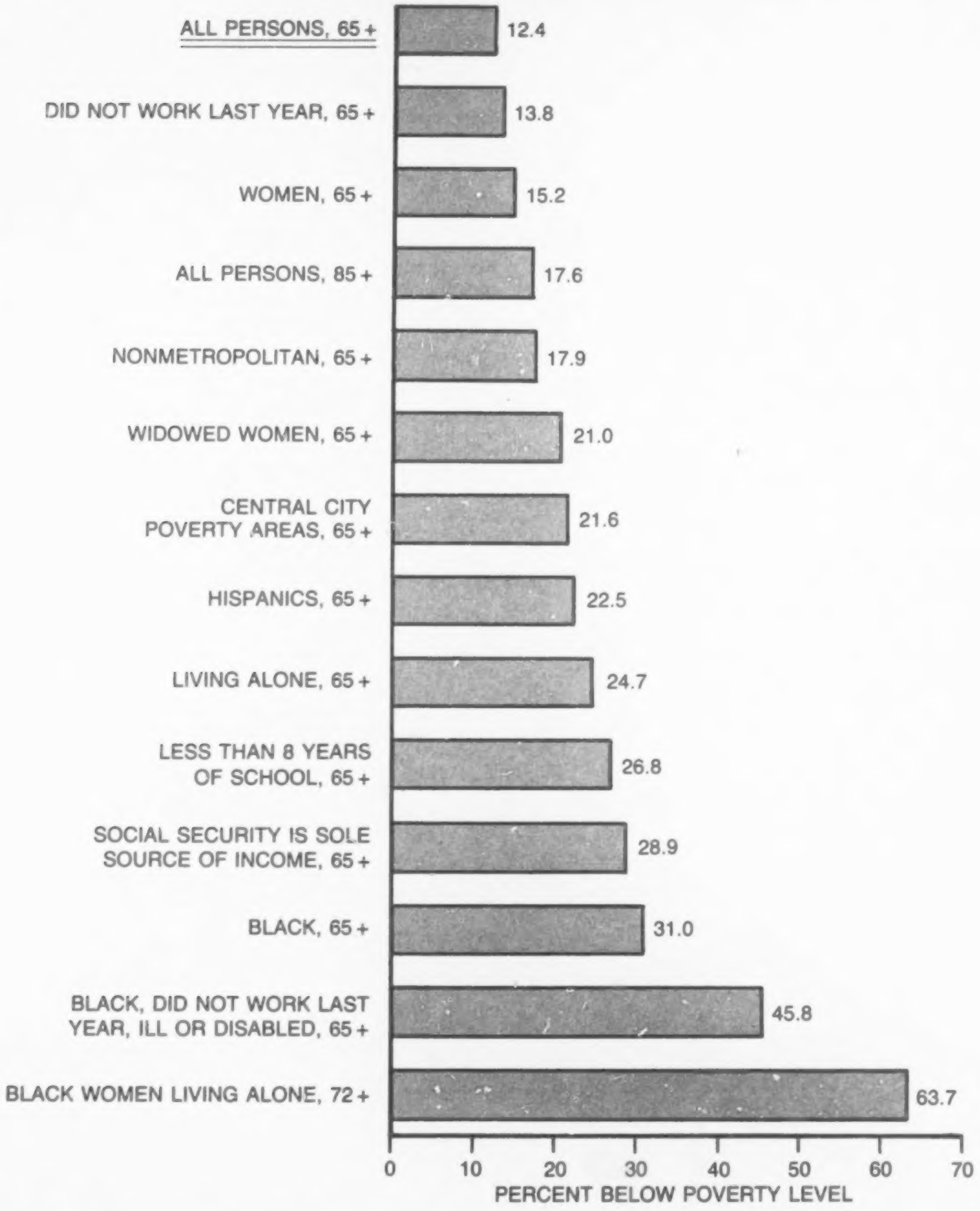
[4] Duncan, Greg J. *Years of Poverty, Years of Plenty: The Changing Economic Fortunes of American Workers and Families*. Institute for Social Research, University of Michigan (1984).

### Chart 2-11
### PERCENT OF ELDERLY PEOPLE BELOW THE POVERTY LEVEL, BY SELECTED CHARACTERISTICS: 1986



SOURCE: U.S. Bureau of the Census, "Money Income and Poverty Status of Families and Persons in the United States: 1986." *Current Population Reports* Series P-60, No. 157 (July 1987). Unpublished data from the March 1987 Current Population Survey.

# TRENDS IN INCOME AND POVERTY: 1960-74

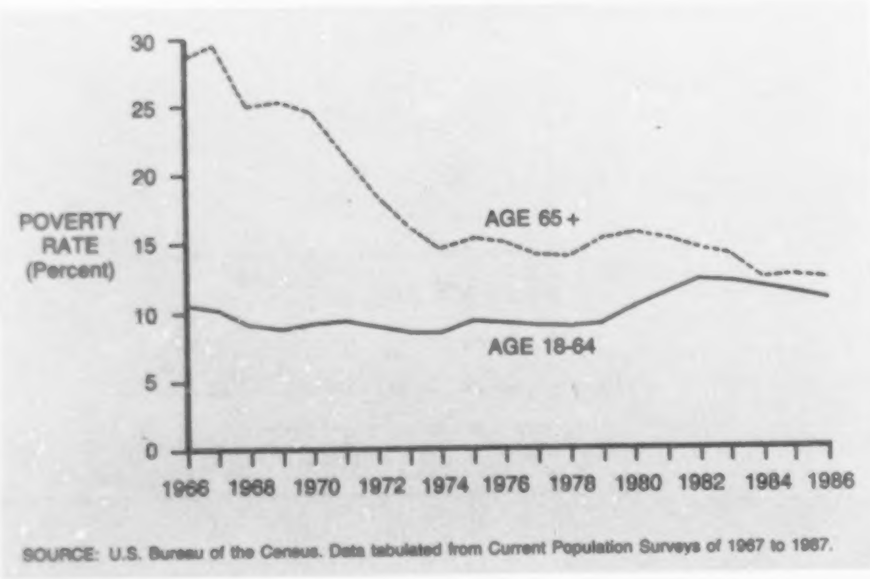
## MOST OF THE RELATIVE GAINS IN INCOME FOR THE ELDERLY WERE ACCOMPLISHED BETWEEN 1960 AND 1974

In 1960, one in every three older Americans was poor—a rate of poverty twice that of nonelderly adults. During the 1960s and early 1970s, substantial gains occurred in the average income of the elderly due to a general increase in the standard of living and specific improvements in Social Security and employer-sponsored pension benefits. Those retiring during the period also increasingly benefited from lengthening periods of coverage under Social Security and pension plans. The most noticeable gains in the average income of the elderly came as a result of benefit increases enacted in Social Security between 1969 and 1972. Legislated cost-of-living increases from 1968 to 1971 raised benefits by 43 percent while prices increased by only 27 percent. The 1972 Social Security Amendments mandated another 20 percent increase in benefits.

The resulting improvement in the economic status of the elderly was significant. The poverty rate among those 65 and older was halved, declining from 28.5 percent in 1966 to 14.6 percent in 1974. During this period, the poverty rate among nonelderly adults declined less substantially from 10.6 percent in 1966 to 8.5 percent in 1974 (chart 2-12 and table 2-8).

Chart 2-12

POVERTY RATES FOR ELDERLY AND NONELDERLY ADULTS: 1966-1986



SOURCE: U.S. Bureau of the Census. Data tabulated from Current Population Surveys of 1967 to 1987.

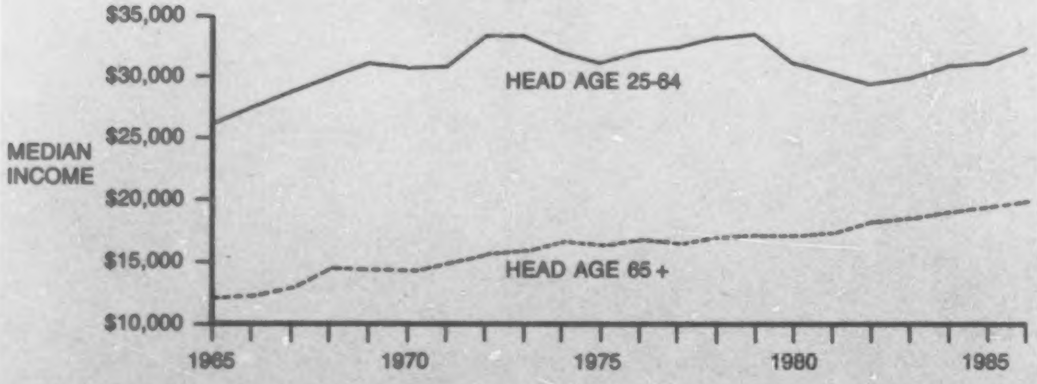
### Table 2-8
### POVERTY RATES FOR ELDERLY AND NONELDERLY ADULTS: 1959 TO 1986

| Year | Poverty Rate | | Year | Poverty Rate | |
|---|---|---|---|---|---|
| | 18 to 64 | 65 plus | | 18 to 64 | 65 plus |
| 1959 | 17.4 | 35.2 | 1976 | 9.2 | 15.0 |
| 1966 | 10.6 | 28.5 | 1977 | 9.0 | 14.1 |
| 1967 | 10.2 | 29.5 | 1978 | 8.9 | 14.0 |
| 1968 | 9.1 | 25.0 | 1979 | 9.1 | 15.2 |
| 1969 | 8.8 | 25.3 | 1980 | 10.3 | 15.7 |
| 1970 | 9.2 | 24.5 | 1981 | 11.3 | 15.3 |
| 1971 | 9.4 | 21.6 | 1982 | 12.3 | 14.6 |
| 1972 | 9.0 | 18.6 | 1983 | 12.1 | 14.1 |
| 1973 | 8.5 | 16.3 | 1984 | 11.7 | 12.4 |
| 1974 | 8.5 | 14.6 | 1985 | 11.3 | 12.6 |
| 1975 | 9.4 | 15.3 | 1986 | 10.8 | 12.4 |

SOURCE: Congressional Research Service with 1985 and 1986 data supplied by U.S. Bureau of the Census.

The median income for families with a head 65 and older rose in constant (1986) dollars by over a third—from $12,315 in 1966 to $16,687 in 1974. Growth in the median income for families with a head under 65 also rose in constant (1986) dollars over this period, but not nearly as rapidly as that of elderly families—from $27,522 in 1966 to $31,973 in 1974, an increase of 16 percent (chart 2-13 and table 2-9).

### Chart 2-13
### MEDIAN INCOME OF ELDERLY AND NONELDERLY FAMILIES: 1965-1986
(1986 Constant Dollars)



SOURCE: U.S. Bureau of the Census. Data tabulated by the Congressional Research Service from Current Population Surveys 1966 to 1986.

## Table 2-9

## MEDIAN FAMILY INCOME OF ELDERLY AND NONELDERLY FAMILIES: 1965-86

| Year | Median family income (1986 dollars) | | Median family income (actual dollars) | | CPI |
|---|---|---|---|---|---|
| | Head 25 to 64 | Head 65 plus | Head 25 to 64 | Head 65 plus | (1967 = 100) |
| 1965 | $26,192 | $12,024 | $7,537 | $3,460 | 94.5 |
| 1966 | 27,522 | 12,315 | 8,146 | 3,645 | 97.2 |
| 1967 | 28,745 | 12,900 | 8,753 | 3,928 | 100.0 |
| 1968 | 29,975 | 14,472 | 9,511 | 4,592 | 104.2 |
| 1969 | 31,219 | 14,365 | 10,438 | 4,803 | 109.8 |
| 1970 | 30,719 | 14,268 | 10,879 | 5,053 | 116.3 |
| 1971 | 30,880 | 14,763 | 11,406 | 5,453 | 121.3 |
| 1972 | 33,330 | 15,642 | 12,717 | 5,968 | 125.3 |
| 1973 | 33,299 | 15,855 | 13,496 | 6,426 | 133.1 |
| 1974 | 31,973 | 16,687 | 14,380 | 7,505 | 147.7 |
| 1975 | 31,233 | 16,414 | 15,331 | 8,057 | 161.2 |
| 1976 | 32,019 | 16,798 | 16,624 | 8,721 | 170.5 |
| 1977 | 32,496 | 16,483 | 17,960 | 9,110 | 181.5 |
| 1978 | 33,216 | 17,044 | 19,764 | 10,141 | 195.4 |
| 1979 | 33,497 | 17,097 | 22,175 | 11,318 | 217.4 |
| 1980 | 31,126 | 17,140 | 23,392 | 12,881 | 246.8 |
| 1981 | 30,306 | 17,282 | 25,138 | 14,335 | 272.4 |
| 1982 | 29,538 | 18,309 | 26,003 | 16,118 | 289.1 |
| 1983 | 29,982 | 18,557 | 27,243 | 16,862 | 298.4 |
| 1984 | 30,921 | 19,228 | 29,292 | 18,215 | 311.1 |
| 1985 | 31,091 | 19,485 | 30,504 | 19,117 | 322.2 |
| 1986 | 32,368 | 19,932 | 32,368 | 19.932 | 328.4 |

SOURCE: U.S. Bureau of the Census. *Current Population Reports* Series P-60 (annual reports on income) for 1966 to 1987.

NOTE: CPI (Consumer Price Index) figures establish a baseline (100) of the cost of goods and services in 1967, against which price increases and decreases can be measured. Consumer prices in 1986, for example, were more than triple the prices in 1967 for the same goods and services (328.4 compared to 100).

# TRENDS IN INCOME AND POVERTY: 1974-86

## INCREASING POVERTY AMONG THE NONELDERLY HAS CONTINUED TO CLOSE THE GAP IN THE ECONOMIC STATUS OF THE ELDERLY AND NONELDERLY

Economic stagnation in the late 1970s and early 1980s slowed real income increases for all age groups. Nonelderly persons still in the labor force were more directly affected by the two recessions during this period than were the elderly. While real incomes of the nonelderly remained relatively constant during this period, the real incomes of the elderly rose slowly. Underlying the slow rise in elderly income was a growth in Social Security benefits resulting from the retirement of new generations with better wage records. Automatic annual Social Security cost-of-living adjustments (COLAs), which went into effect in 1975, served to keep the real benefits of those already retired from declining.

As a result, the gap in income between the elderly and nonelderly narrowed further between 1974 and 1982. The median income of families with a head 65 and older rose in constant (1986) dollars from $16,687 in 1974 to $18,302 in 1982, while the median income of families with a head under age 65 declined in constant (1986) dollars from $31,973 in 1974 to $29,538 in 1982 (chart 2-13 and table 2-9).

Poverty rates showed a similar trend. The poverty rate among the elderly remained fairly stable throughout the mid-1970s and early 1980s—ranging between 14 to 15.7 percent. At the same time, the poverty rate among nonelderly adults rose dramatically from a low of 8.5 percent in 1974 to a high of 12.3 percent in 1982 (table 2-8).

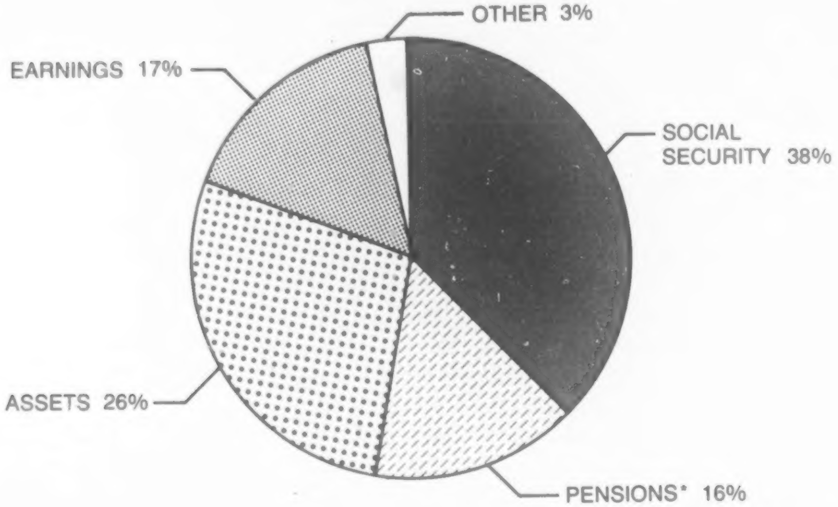
With the economic recovery of the last few years, income trends have shown a marked change from the pattern set in the late 1970s and early 1980s. Since 1982, wage earners have realized real gains paralleling those of the elderly. The median income of families with a head 65 and older rose slightly in constant (1986) dollar terms from $18,309 in 1982 to $19,932 in 1986 (an increase of nine percent), while the median income of families with a head under 65 also increased from $29,538 in 1982 to $32,368 in 1986 (an increase of ten percent). At the same time, poverty rates have declined for both elderly and nonelderly adults. The poverty rate among those 65 and older has declined from 14.6 percent in 1982 to 12.4 percent in 1986, while the poverty rate among adults age 18 to 64 has declined from 12.3 percent in 1982 to 10.8 percent in 1986.

# COMPOSITION OF INCOME

## THE ELDERLY RELY HEAVILY ON SOCIAL SECURITY BENEFITS AND ASSET INCOME

The elderly depend more heavily on Social Security for their income than they do on any other source. In 1986, 38 percent of all income received by aged units came from Social Security (chart 2-14).[5] Nine out of every 10 aged units were receiving some income from Social Security, and 14 percent of the aged units received all of their income from Social Security. In all, three aged units in ten (31 percent) depended on Social Security for 80 percent or more of their income. The elderly with the lowest incomes were the most dependent on Social Security benefits. In 1986, 77 percent of aggregate income received by aged units with incomes under $5,000 came from Social Security benefits. By contrast, only 21 percent of the aggregate income received by aged units with incomes of $20,000 or more came from Social Security.

**Chart 2-14**
**INCOME SOURCES OF UNITS AGED 65 AND OLDER: 1986**



*Includes railroad retirement which accounts for about one percent of income for aged units. Railroad retirement has both pension and social security components.

SOURCE: Grad, Susan. *Income of the Population 55 or Over, 1986*. Pub. No. 13-11871, Washington: U.S. Social Security Administration (forthcoming).

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[5] Information in this section, Composition of Income, comes from Susan Grad. *Income of the Population 55 or Over, 1986*. Pub. No. 13-11871, Washington: U.S. Department of Social Security Administration, (forthcoming). An aged unit is either a married couple living together with one or both members 65 or older, or an individual 65 or older who does not live with a spouse. Income is measured separately from the income of the family or household in which the unit lives.

Income from assets was the second most important income source for the elderly. In 1986, 26 percent of the income received by aged units was income from assets. In recent years, savings and other asset income have grown in importance as sources of income, increasing from 16 percent of total income in 1962 to 22 percent by 1980. However, income from financial assets was unevenly distributed among the elderly in 1986, with one-third (33 percent) of the aged units reporting no asset income, and one-fourth (26 percent) of those with asset income reporting less than $500 a year. Only 33 percent of those who had asset income received more than $5,000 a year from this source.

Earnings from paid employment were a particularly important source of income to the younger elderly, but declined in importance with age. Overall, 17 percent of the income of aged units came from earnings. Those aged 65 to 69 received 30 percent of their income from earnings, compared to only four percent for those aged 80 and older.

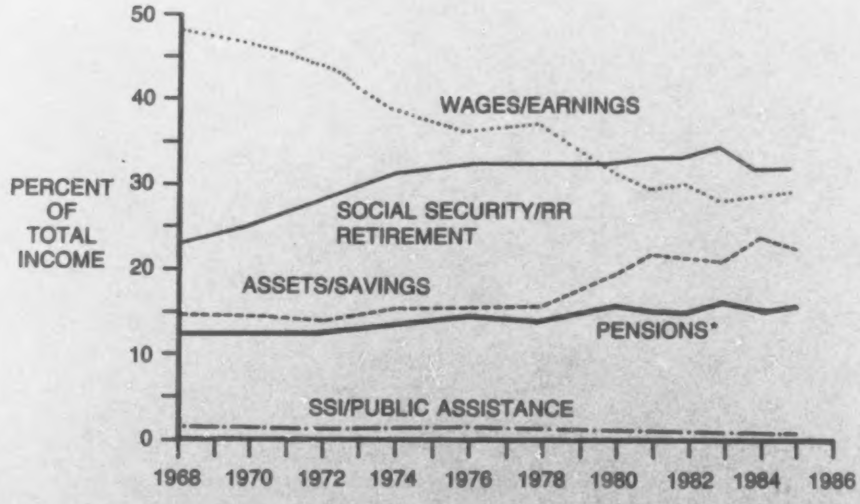
Employee pensions provided 16 percent of the income the elderly received in 1986. This share has remained fairly constant in recent years, and is similar for all but the oldest age group. Overall, two in five (40 percent) aged units received income from public and/or private pension benefits other than Social Security—about one in four (27 percent) from private pensions.

# TRENDS IN COMPOSITION OF INCOME

## SOCIAL SECURITY IS BECOMING AN INCREASINGLY IMPORTANT PART OF THE INCOME OF THE ELDERLY, WHILE EARNINGS CONTINUE TO DECLINE IN IMPORTANCE

The rapid growth in real benefit levels for the elderly during the late 1960s and early 1970s was accompanied by a substantial change in the composition of income the elderly received. In the late 1960s, families with heads 65 and older derived nearly half of their income from earnings, while only 23 percent of their income came from Social Security. By 1980, Social Security had surpassed earnings as the leading source of income for these families. This shift may be due in part to more older persons qualifying for Social Security benefits and the inclusion of groups such as the self-employed in the program (charts 2-15 and 2-16).

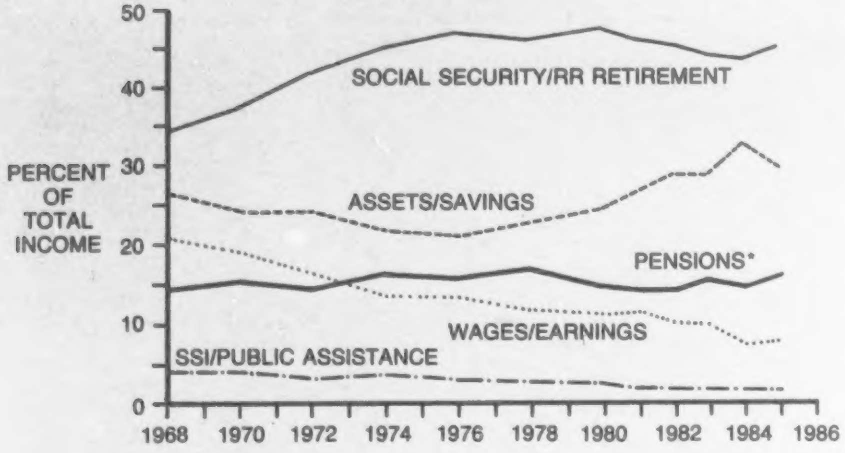
Chart 2-15
INCOME SHARES BY SOURCE OF INCOME FOR FAMILIES WITH HEAD AGE 65+: 1968-1985



*Includes veterans payments, unemployment, workers compensation, annuities, and alimony.

SOURCE: U.S. Bureau of the Census. Unpublished data tabulated by the Congressional Research Service from Current Population Surveys of 1969 to 1986.

## Chart 2-16
## INCOME SHARES BY SOURCE OF INCOME FOR UNRELATED INDIVIDUALS 65+: 1968-1985



*Includes veterans payments, unemployment, workers compensation, annuities, and alimony.

SOURCE: U.S. Bureau of the Census. Unpublished data from the Current Population Surveys of 1969 to 1986.

A substantial decline in the role of earnings has been the most notable feature of this change. The trend toward earlier retirement among older males has caused labor force participation rates of men 65 and older to drop from 33 percent in 1960 to 16 percent in 1986.[6] As a result, earnings, which accounted for 48 percent of elderly family income in 1968, accounted for only 29 percent by 1985.

Social Security grew in importance as a source of income to elderly families between 1968 and 1974, but its proportion among sources of income has remained relatively stable since then. The proportion of elderly family income coming from Social Security benefits increased from 23 percent in 1968 to 31 percent in 1974, largely as a result of legislated benefit increases in the late 1960s and early 1970s. In recent years, a particularly steep decline in the role of earnings has been offset by an increase in the role of assets and pensions as a source of income. This shift was most pronounced between 1978 and 1980, when earnings dropped from 37 to 31 percent while assets increased from 16 to 19 percent and pensions grew from 14 to 16 percent of total income. Comparable fluctuations in income sources as a percentage of income were recorded for elderly unrelated individuals (table 2-10).

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[6] U.S. Department of Labor, Bureau of Labor Statistics. *Handbook of Labor Statistics.* Bulletin 2217 (June 1985). (data for 1950 to 1983).
U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings.* Vols. 32, 33, and 34, No. 1 (January 1985, 1986, and 1987) (data for 1985 to 1987).

## Table 2-10
## SOURCE OF INCOME AS A PERCENTAGE OF INCOME: 1968-85

| Year | Social Security/ Railroad Retirement | Asset income | SSI/Public assistance | Pensions | Earnings |
|---|---|---|---|---|---|
| Families with a head 65 and older: | | | | | |
| 1968 | 22.9 | 14.6 | 1.3 | 12.3 | 48.2 |
| 1970 | 25.0 | 14.5 | 1.4 | 12.5 | 46.6 |
| 1972 | 28.1 | 14.0 | 1.1 | 12.5 | 44.2 |
| 1974 | 31.1 | 15.4 | 1.3 | 13.5 | 38.8 |
| 1976 | 32.3 | 15.6 | 1.4 | 14.5 | 36.1 |
| 1978 | 32.2 | 15.7 | 1.2 | 13.8 | 37.1 |
| 1980 | 32.4 | 19.4 | 1.1 | 15.6 | 31.4 |
| 1981 | 33.0 | 21.7 | 1.0 | 14.9 | 29.5 |
| 1982 | 33.1 | 21.4 | 0.8 | 14.8 | 29.9 |
| 1983 | 34.3 | 20.9 | 0.8 | 16.0 | 28.0 |
| 1984 | 31.6 | 23.7 | 0.8 | 15.3 | 28.6 |
| 1985 | 31.8 | 22.5 | 0.8 | 15.6 | 29.3 |
| Unrelated individuals 65 and older: | | | | | |
| 1968 | 34.2 | 26.5 | 4.1 | 14.4 | 20.8 |
| 1970 | 37.3 | 24.1 | 4.1 | 15.4 | 19.1 |
| 1972 | 41.7 | 24.2 | 3.2 | 14.3 | 16.6 |
| 1974 | 44.9 | 21.7 | 3.7 | 16.2 | 13.6 |
| 1976 | 46.9 | 20.9 | 3.0 | 15.7 | 13.4 |
| 1978 | 45.9 | 22.7 | 2.7 | 16.9 | 11.8 |
| 1980 | 47.4 | 24.4 | 2.5 | 14.6 | 11.2 |
| 1981 | 45.9 | 26.6 | 1.9 | 14.1 | 11.5 |
| 1982 | 45.3 | 28.7 | 1.8 | 14.1 | 10.1 |
| 1983 | 44.0 | 28.7 | 1.9 | 15.5 | 9.8 |
| 1984 | 43.4 | 32.7 | 1.8 | 14.7 | 7.4 |
| 1985 | 45.0 | 29.7 | 1.7 | 15.6 | 7.9 |

SOURCE: U.S. Bureau of the Census. *Current Population Reports* Series P-60 (1969 to 1986).

# NONCASH ECONOMIC RESOURCES

Although the elderly have substantially lower average cash incomes than the nonelderly, they derive greater economic advantage than the nonelderly from the tax treatment of income, government in-kind transfers, lifetime accumulations of wealth, and family size. Some analysts contend that when these factors are taken into account, the average older person has economic resources roughly equivalent to those of younger persons.

Recent analyses of the distribution of resources suggest that while the consideration of noncash resources reduces some of the economic difference between the elderly and the nonelderly and among the elderly, large numbers of the elderly still have limited economic resources.

## Taxes

### NEARLY HALF OF THE ELDERLY PAY NO FEDERAL INCOME TAXES, BUT THOSE WHO DO PAY TAXES PAY MORE ON THE AVERAGE THAN NONELDERLY TAXPAYERS

The elderly as a group pay a smaller portion of their income in taxes than do the nonelderly. Four provisions in the tax code are of special significance to the elderly:

(1) The exclusion of veterans pension income and, for those with less than $25,000 (single)/$32,000 (joint) adjusted gross annual income, the exclusion of Social Security and railroad retirement benefits from taxation.
(2) The additional exemption for those over age 65 (which will no longer apply after 1987 under the Tax Reform Act of 1986).[7]
(3) The one-time exclusion of up to $125,000 in capital gains from the sale of a home after age 55.
(4) The elderly tax credit for low-income individuals with few or no Social Security benefits.

In addition, the tax burden of the elderly tends to be lighter than that of the nonelderly since most elderly no longer pay Social Security payroll taxes and their income tax payments tend to be based on a lower marginal tax rate. Approximately 47 percent of the elderly paid no federal income taxes in 1984 due to low incomes and/or incomes largely excluded from taxation.[8]

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[7] An unintended consequence of the loss of the extra exemption for taxpayers 65 and over may be the end of separate figures released regularly by the IRS about tax returns filed by older persons. With no extra exemption, the tax form will be largely age-neutral, thus limiting the availability of tax and income information for older persons.

[8] U.S. Internal Revenue Service. *Statistics of Income, 1984, Individual Income Tax Returns.* November 1986.

Those elderly who do pay federal income taxes, however, tend to pay taxes at a higher rate and have a greater tax liability than nonelderly taxpayers. In 1984, the effective tax rate for elderly taxpayers was 17 percent compared to 14 percent for nonelderly taxpayers; and the average tax payment of an elderly taxpayer was $4,253 compared to $3,622 for a nonelderly taxpayer.

Consideration of tax payments has a relatively slight effect on the income distribution of the elderly, with a noticeable reduction in income only at high levels of income. By comparison, the incomes of most nonelderly are reduced more substantially by the consideration of tax payments.

## In-Kind Benefits

Some analysts also contend that the difference in income between the elderly and nonelderly would be reduced if the analysis of income took into account the value of in-kind transfers.

### WHILE ALMOST ALL ELDERLY BENEFIT FROM IN-KIND HEALTH CARE BENEFITS, FEWER THAN ONE IN SIX BENEFIT FROM NONHEALTH IN-KIND BENEFITS

In-kind benefits, especially government-provided health benefits, are of particular significance to the elderly since 97 percent of them are covered by Medicare hospital and physician insurance, and 12 percent are covered by Medicaid (most of whom are covered by Medicare as well) (table 2-11). By contrast, only 15 percent of the elderly benefit from nonhealth in-kind benefits—and only four percent benefit from more than one of these benefits. Energy assistance and food stamps are the most prominent benefits, going to seven and six percent of elderly respectively. Even smaller percentages benefit from public housing and rental assistance (table 2-12). Nonelderly workers and their families benefit primarily from employee benefits, such as group health insurance, provided by employers but not counted as income by employees.

The inclusion of the premium value of Medicare and other in-kind benefits in the incomes of the elderly causes an upward shift in the income distribution of the elderly, with the largest proportionate increases occurring at low income levels. A similar but less pronounced upward shift occurs for the nonelderly. The net effect of the inclusion of both taxes and in-kind benefits is to reduce the percentage of older persons at the highest and lowest income levels and increase the percentage in the middle of the income distribution.

## Table 2-11
## PERCENT DISTRIBUTION OF SOURCES OF HEALTH INSURANCE COVERAGE FOR UNITS 65 AND OLDER: 1984

| Type of health plan | Total | Married couples | Nonmarried persons | |
|---|---|---|---|---|
| | | | Men | Women |
| All units | 100 | 100 | 100 | 100 |
| Medicare | 97 | 96 | 95 | 97 |
| Medicaid | 12 | 7 | 14 | 16 |
| Military plan | 3 | 5 | 7 | 1 |
| Employer plan | 8 | 14 | 4 | 3 |
| Other | 53 | 62 | 41 | 49 |
| Number of health plans: | | | | |
| 0 | 1 | 0 | 2 | 1 |
| 1 | 32 | 25 | 41 | 36 |
| 2 | 60 | 64 | 52 | 59 |
| 3 or more | 6 | 10 | 5 | 4 |

SOURCE: U.S. Social Security Administration. *Income and Resources of the Population 65 and Over*. Pub. No. 13-11727, Washington: U.S. Social Security Administration, September 1986.

## Table 2-12
## PERCENT DISTRIBUTION OF UNITS 65 AND OLDER BY NUMBER AND SOURCES OF IN-KIND BENEFITS, MARITAL STATUS, AND SEX: 1984

| Number and source of in-kind benefits | Total | Married couples | Nonmarried persons | |
|---|---|---|---|---|
| | | | Men | Women |
| All units | 100 | 100 | 100 | 100 |
| Number of in-kind benefits:* | | | | |
| 0 | 85 | 94 | 84 | 78 |
| 1 | 11 | 5 | 13 | 16 |
| 2 or more | 4 | 1 | 3 | 6 |
| Source of in-kind benefits:** | | | | |
| Energy assistance | 7 | 3 | 7 | 10 |
| Food stamps | 6 | 3 | 7 | 8 |
| Public housing | 4 | 1 | 4 | 6 |
| Rental assistance | 2 | 1 | 2 | 3 |

*Data on number of in-kind benefits refer only to the four sources specified in table.

**Percentages not additive.

SOURCE: U.S. Social Security Administration. *Income and Resources of the Population 65 and Over*. Pub. No. 13-11727, Washington: U.S. Social Security Administration, September 1986.

## Assets

The elderly as a group hold substantially more in assets than the nonelderly. Because of this difference, some analysts have suggested that a comparison of the economic well-being of the elderly and nonelderly should include a measurement of the income potential of accumulated wealth.

### THE ELDERLY HAVE GREATER ASSETS THAN THE NONELDERLY SINCE THEY HAVE ACCUMULATED THESE ASSETS OVER A LIFETIME. MORE THAN ONE-THIRD OF THE ASSETS OF THE ELDERLY IS THE EQUITY IN THEIR OWN HOMES

The fact that the elderly as a group hold more assets than the nonelderly is a result of normal life-cycle processes. People naturally tend to accumulate savings, home equity, and personal property over a lifetime. The median net worth of households with a head 65 and over was $60,266 in 1984 compared to a median net worth for all households (including elderly households) of $32,677 (table 2-13 and chart 2-17). The age group with the largest median net worth was 55-64 years old ($73,664).[9]

**Table 2-13**

**MEDIAN NET WORTH AND MONTHLY HOUSEHOLD INCOME, BY AGE OF HOUSEHOLDER: 1984**

**(excludes group quarters)**

| Age of householder | Number of households (thousands) | Median monthly household income | Median net worth | |
|---|---|---|---|---|
| | | | Total | Excluding home equity |
| Total | 86,790 | $1,677 | $32,667 | $ 7,783 |
| Less than 35 years | 25,730 | 1,596 | 5,764 | 2,966 |
| 35-44 years | 17,393 | 2,238 | 35,581 | 7,557 |
| 45-54 years | 12,596 | 2,381 | 56,791 | 12,655 |
| 55-64 years | 12,920 | 1,822 | 73,664 | 22,073 |
| 65 years and over | 18,151 | 1,021 | 60,266 | 18,790 |
| 65-69 years | 5,668 | 1,306 | 66,621 | 21,502 |
| 70-74 years | 5,014 | 1,022 | 60,573 | 18,455 |
| 75 years and over | 7,468 | 828 | 55,178 | 17,025 |

SOURCE: U.S. Bureau of the Census. "Household Wealth and Asset Ownership: 1984." *Current Population Reports* Series P-70, No. 7 (July 1986).

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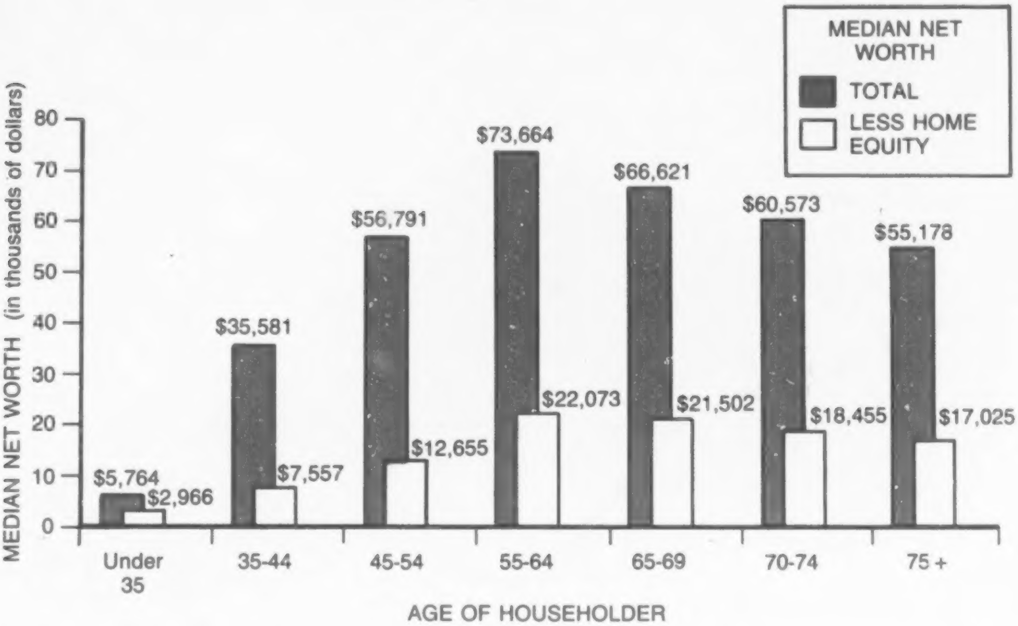
[9] Data on assets, unless otherwise noted, are taken from U.S. Bureau of the Census. "Household Wealth and Asset Ownership: 1984." *Current Population Reports* Series P-70, No. 7 (July 1986).

**Chart 2-17**
**MEDIAN NET WORTH BY AGE GROUP: 1984**



SOURCE: U.S. Bureau of the Census. "Household Wealth and Asset Ownership: 1984." *Current Population Reports* Series P-70, No. 7 (July 1986).

Although the elderly as a group hold greater assets than the nonelderly, many elderly households hold few or no assets. Over one-fourth (28.5 percent) of elderly households had a net worth of less than $25,000, and one-seventh (15.4 percent) had a net worth below $5,000 (table 2-14 and chart 2-18). The wealth the elderly hold exists primarily in the form of home equity. Nearly 75 percent of older persons own their homes—80 percent of these "free and clear." More than one-third (39 percent) of the total net worth of the elderly comes from the home. Many of the "house rich" elderly, however, are "cash poor." A recent analysis of 1983 Annual Housing Survey data shows that nearly one-quarter (23 percent) of poor elderly homeowners had at least $50,000 in home equity.[10] This disparity between income and equity may be due to recent rapid appreciation in housing values or losses in income due to retirement, divorce, or widowhood.

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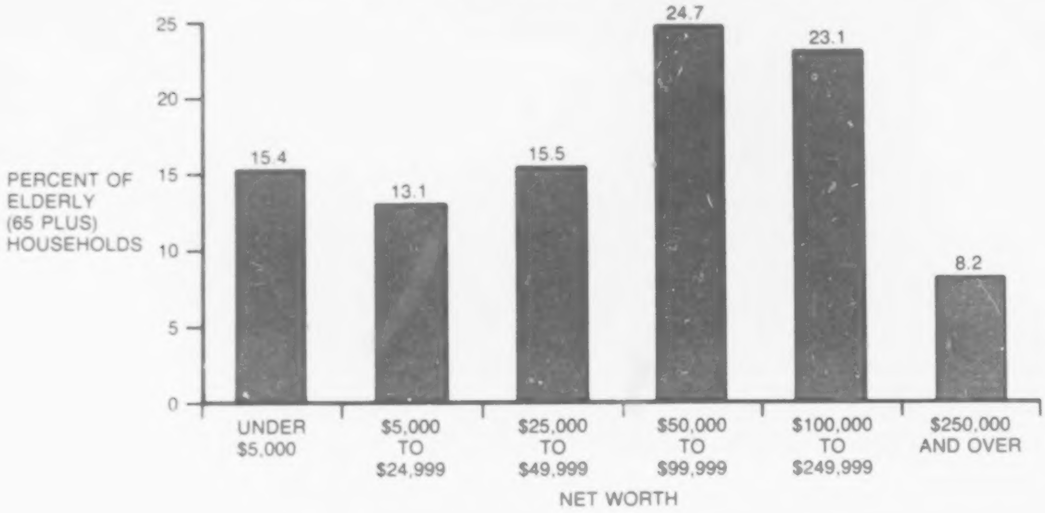
[10] Jacobs, Bruce. "The National Potential of Home Equity Conversion." *The Gerontologist* Vol. 26, No. 5 (October 1986).

### Table 2-14
### DISTRIBUTION OF HOUSEHOLDS BY AGE AND NET WORTH: 1984
### (Excludes group quarters)

| Age of householder | Percent distribution by net worth | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | All households | Zero or negative | $1 to $4,999 | $5,000 to $9,999 | $10,000 to $24,999 | $25,000 to $49,999 | $50,000 to $99,999 | $100,000 to $249,999 | $250,000 or more |
| Total | 100.0 | 11.0 | 15.3 | 6.4 | 12.4 | 14.5 | 19.3 | 15.3 | 5.9 |
| Less than 35 | 100.0 | 19.1 | 28.9 | 11.0 | 17.2 | 11.9 | 8.2 | 2.9 | 0.9 |
| 35-44 | 100.0 | 9.7 | 12.5 | 6.1 | 13.4 | 18.3 | 21.4 | 13.7 | 4.7 |
| 45-54 | 100.0 | 8.2 | 8.5 | 4.1 | 10.6 | 14.1 | 24.9 | 21.0 | 8.7 |
| 55-64 | 100.0 | 5.3 | 7.7 | 3.3 | 7.8 | 13.3 | 25.3 | 25.7 | 11.6 |
| 65 and over | 100.0 | 6.7 | 8.7 | 4.0 | 9.1 | 15.5 | 24.7 | 23.1 | 8.2 |
| 65-69 | 100.0 | 6.8 | 6.8 | 2.9 | 8.2 | 15.1 | 25.7 | 24.9 | 9.6 |
| 70-74 | 100.0 | 7.2 | 9.8 | 3.4 | 9.4 | 14.5 | 25.0 | 21.9 | 8.7 |
| 75 and over | 100.0 | 6.4 | 9.4 | 5.1 | 9.5 | 16.6 | 23.8 | 22.5 | 6.8 |

SOURCE: U.S. Bureau of the Census. "Household Wealth and Asset Ownership: 1984." *Current Population Reports* Series P-70, No. 7 (July 1986).

Chart 2-18
DISTRIBUTION OF ELDERLY HOUSEHOLDS BY NET WORTH: 1984



SOURCE: U.S. Bureau of the Census. "Household Wealth and Asset Ownership: 1984." *Current Population Reports* Series P-70, No. 7 (July 1986).

## EXCLUDING HOME EQUITY, MANY OF THE ELDERLY HAVE RELATIVELY FEWER ASSETS—GENERALLY IN THE FORM OF SAVINGS, CHECKING, OR MONEY MARKET ACCOUNTS—THAN THE NONELDERLY

In 1984, more than 40 percent of elderly households had a net worth excluding home equity of less than $10,000. The median net worth of all elderly households excluding the value of home equity was only $18,790 in 1984. After home equity, the assets of elderly households are held largely in the form of savings, checking, or money market accounts (table 2-15 and chart 2-19).

### Table 2-15
### DISTRIBUTION OF NET WORTH, BY AGE OF HOUSEHOLDER AND ASSET TYPE: 1984
### (excludes group quarters)

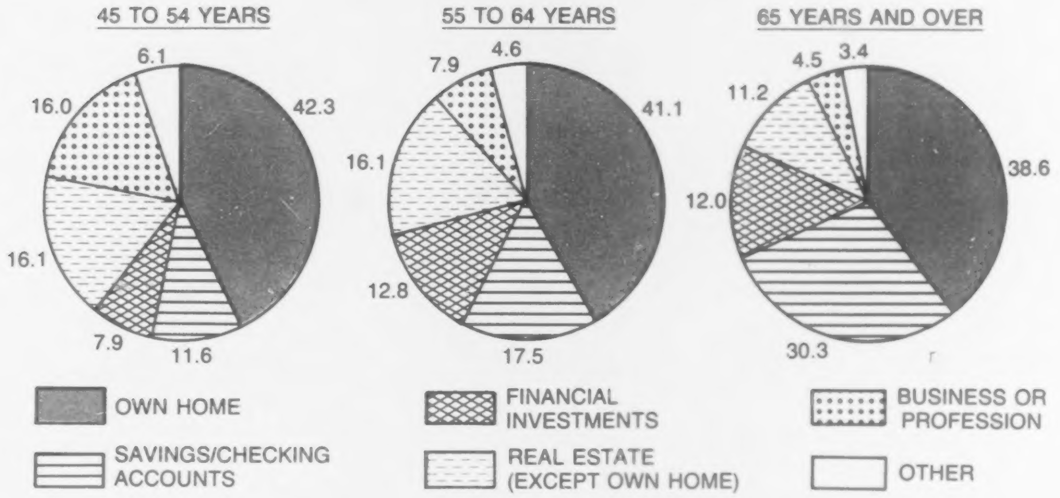
| Type of asset | Total | Less than 35 years | 35 to 44 years | 45 to 54 years | 55 to 64 years | 65 years and over |
|---|---|---|---|---|---|---|
| Total net worth | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Own home | 41.3 | 46.0 | 47.0 | 42.3 | 41.1 | 38.6 |
| Savings and checking accounts | 18.1 | 14.4 | 11.3 | 11.6 | 17.5 | 30.3 |
| Interest earning assets at financial institutions | 14.4 | 11.6 | 8.3 | 9.3 | 13.4 | 24.8 |
| Other interest-earning assets | 3.1 | 1.6 | 2.3 | 1.7 | 3.7 | 4.9 |
| Checking accounts | 0.6 | 1.2 | 0.7 | 0.6 | 0.4 | 0.6 |
| Financial investments | 9.5 | 7.1 | 7.5 | 7.9 | 12.8 | 12.0 |
| Stocks and mutual fund shares | 6.8 | 5.2 | 5.3 | 4.7 | 8.9 | 8.6 |
| U.S. savings bonds | 0.5 | 0.3 | 0.2 | 0.4 | 0.6 | 0.8 |
| IRA and KEOGH accounts | 2.2 | 1.6 | 2.0 | 2.8 | 3.3 | 2.6 |
| Real estate (except own home) | 13.4 | 9.8 | 12.7 | 16.1 | 16.1 | 11.2 |
| Rental property | 9.0 | 5.3 | 7.8 | 11.0 | 10.9 | 8.2 |
| Other real estate | 4.4 | 4.5 | 4.9 | 5.1 | 5.2 | 3.0 |
| Business or profession | 10.3 | 17.4 | 14.1 | 16.0 | 7.9 | 4.5 |
| Other | 7.4 | 5.3 | 7.4 | 6.1 | 4.6 | 3.4 |
| Motor vehicles | 6.0 | 16.6 | 7.4 | 6.0 | 4.6 | 3.4 |
| Other assets and unsecured liabilities | 1.4 | -11.3 | 0.0 | 0.1 | 0.0 | 0.0 |

SOURCE: U.S. Bureau of the Census. "Household Wealth and Asset Ownership: 1984." *Current Population Reports* Series P-70, No. 7 (July 1986).

The holdings of the elderly differ from those of the nonelderly. For example, the elderly as a group have a smaller share of their equity in a business or profession and a larger share in savings, checking, or money market accounts than the nonelderly. In 1984, five percent of the net worth of elderly households was in a business or profession compared to ten percent of the net worth of all households (including the elderly). At the same time, 30 percent of elderly net worth was in savings and checking accounts, compared to only 18 percent of the net worth of all households. Additionally, the elderly have a smaller share of their equity tied up in their homes than the nonelderly. In 1984, 39 percent of the net worth of elderly households was equity in their home compared to 41 percent of the net worth of all households.

Chart 2-19

DISTRIBUTION OF TOTAL NET WORTH BY ASSET TYPE, FOR HOUSEHOLDS 45 YEARS OF AGE AND OVER, BY AGE: 1984



SOURCE: U.S. Bureau of the Census. "Household Wealth and Asset Ownership: 1984." *Current Population Reports* Series P-70, No. 7 (July 1986).

## CONSUMPTION PATTERNS

The economic well-being of the elderly is ultimately reflected in the relative standard of living they can sustain. The elderly generally consume fewer goods and services than the nonelderly and spend higher proportions of their total budgets on essentials. The elderly spend 60 percent of their consumption dollars on housing (including utilities), food, and medical care, compared to only 49 percent spent by younger households on these items (table 2-16 and chart 2-20). The one service or commodity that the elderly spend more on in actual dollars than the nonelderly is health care.[11]

### Table 2-16

### AVERAGE ANNUAL EXPENDITURES OF URBAN CONSUMER UNITS BY TYPE OF EXPENDITURE AND AGE OF HOUSEHOLD: 1984

| Type of expenditure | Amounts expended | | | Percent distribution | | |
|---|---|---|---|---|---|---|
| | Under 65 | 65-74 | 75 plus | Under 65 | 65-74 | 75 plus |
| Annual average expenditures | $23,569 | $15,873 | $11,196 | 100.0 | 100.0 | 100.0 |
| Shelter/furnishings | 5,396 | 3,204 | 2,661 | 22.9 | 20.2 | 23.8 |
| Utilities | 1,718 | 1,644 | 1,311 | 7.3 | 10.4 | 11.7 |
| Food | 3,603 | 2,831 | 1,912 | 15.3 | 17.8 | 17.1 |
| Clothing | 1,335 | 715 | 346 | 5.7 | 4.5 | 3.1 |
| Health care | 785 | 1,340 | 1,487 | 3.3 | 8.4 | 13.3 |
| Transportation | 4,838 | 3,041 | 1,450 | 20.5 | 19.2 | 13.0 |
| Pension and life insurance | 2,358 | 778 | 229 | 10.0 | 4.9 | 2.0 |
| Entertainment | 1,168 | 604 | 291 | 5.0 | 3.8 | 2.6 |
| Cash contributions | 1,645 | 953 | 632 | 7.0 | 6.0 | 5.6 |
| Other | 724 | 762 | 878 | 3.1 | 4.8 | 7.8 |

SOURCE: U.S. Bureau of Labor Statistics. *Consumer Expenditure Survey: Interview Survey, 1984*. Bulletin 2267, Washington: U.S. Department of Labor, August 1986.

## THE ELDERLY SPEND LESS THAN THE NONELDERLY, EVEN WHEN SPENDING IS ADJUSTED FOR HOUSEHOLD SIZE

Older households consume less than younger households because they have less household income to spend, fewer people in the household to support, and different needs than younger households. Data from the 1984 Consumer Expenditure Survey show that urban consumer units with a reference person age 65 to 74 or age 75 and over have average incomes before taxes that are respectively only 63 percent and 47 percent as great as the average income of all urban consumer units under age 65.[12] Spending by older consumer units is substantially lower than the

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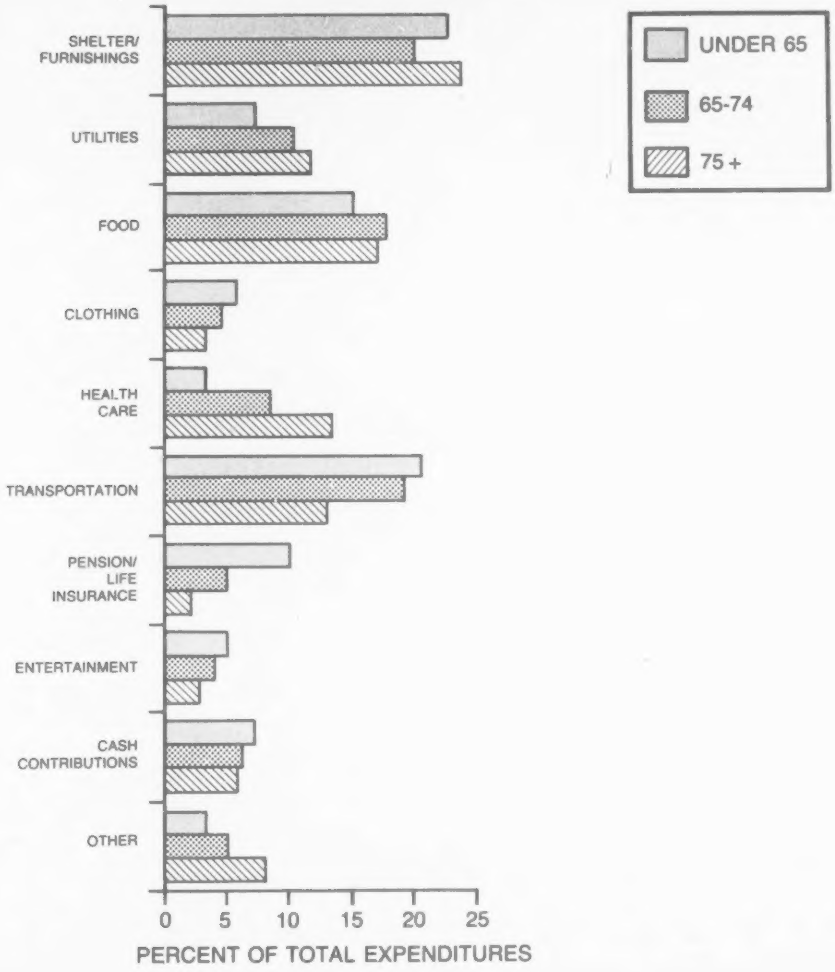
[11] Data on consumption patterns are from the U.S. Bureau of Labor Statistics, *Consumer Expenditure Survey: Interview Survey, 1984*. Bulletin 2267, Washington: U.S. Department of Labor, August 1986.

[12] A consumer unit is a term used to denote: one or more unrelated persons living together who pool their income to make joint expenditure decisions; all members of a household who are related; or a person living alone or who lives with others but is financially independent. For readability, the term "household" is used interchangeably with "consumer unit" in this section. However, the reader should note that a household—generally defined as all persons sharing a housing unit—can include more than one consumer unit. A reference person is the member of the household that is first mentioned as the owner or renter of the home.

Chart 2-20
CONSUMER EXPENDITURES BY TYPE AND AGE GROUP: 1984



SOURCE: U.S. Bureau of Labor Statistics. *Consumer Expenditure Survey: 1984 Interview Survey*. Bulletin 2267, Washington: U.S. Department of Labor, August 1986.

average spending by younger consumer units. In 1984, units with a reference person age 65 to 74 spent $15,873 and those with a reference person age 75 and older spent $11,196 compared to average spending of $23,569 by younger consumer units.

To some extent, elderly households need to buy less overall and spend on a different mix of purchases because they have fewer members than nonelderly households. In 1984, the average 65- to 74-year-old urban consumer unit had 1.9 persons and the average 75 and older consumer unit had only 1.5 persons compared to younger urban consumer units which had 2.8 persons. However, even when adjusted for unit size, older households spent less than younger households.

Because older households are smaller, they devote a larger share of their budgets to costs that vary little with household size. Utilities, food, and health care, in particular, were more significant expenses for the elderly than the nonelderly. In 1984, utility costs as a percentage of the budget were ten percent for 65- to 74-year-old units and 12 percent for 75 and older units, compared to only seven percent for younger consumer units.

Food costs represented over 17 percent of the expenditures for older consumer units compared to 15 percent for younger units. Older households spent significantly less on clothing, transportation, pensions, life insurance, and entertainment than did their younger counterparts. Older and younger units spent about the same proportion (21 percent and 23 percent, respectively) on shelter and furnishings.

## HEALTH CARE IS THE ONLY BUDGET CATEGORY ON WHICH THE ELDERLY SPEND MORE MONEY THAN THE NONELDERLY

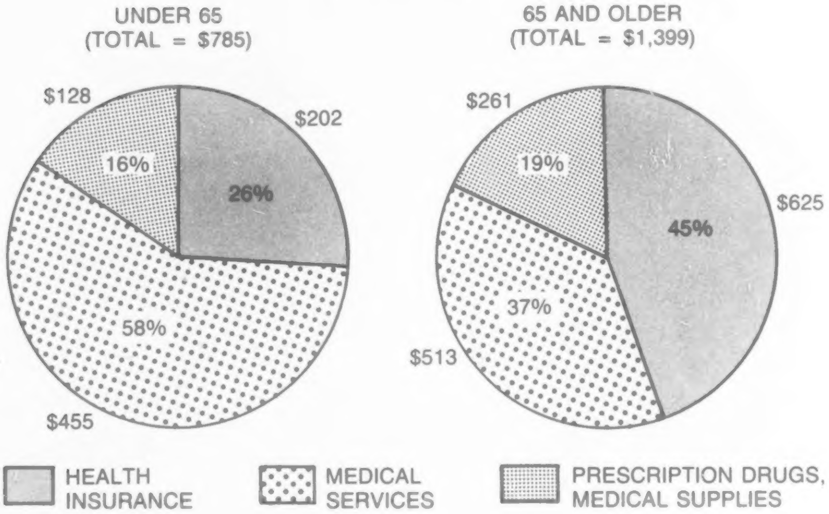
One of the greatest threats to the economic security of the elderly is the high out-of-pocket cost of health care, which consumes an increased share of the reduced budgets of the average elderly household. The elderly spend more on health care—both in actual dollars and as a percentage of total expenditures—than the nonelderly. Consumer units with a reference person age 65 to 74 paid an average $1,340 and those with a reference person age 75 and older paid $1,487 in out-of-pocket health costs in 1984 compared to an average of $785 paid by younger units. Because the total budget of the elderly is smaller, the share spent on health care is substantially higher than the share spent by the nonelderly. Consumer units age 65 to 74 and 75 and older spent eight percent and 13 percent respectively of their budgets on health care compared to three percent by younger units.

The major health expense for urban elderly households in 1984 was health insurance, including Medicare, whereas the major health expense for younger households was hospital and doctor bills and other medical services (chart 2-21).

Despite the fact that older households have lower incomes and fewer household members, urban elderly units spent over three times as much as their younger counterparts on health insurance ($625 vs. $202) and twice as much on prescription drugs and medical supplies ($261 vs. $128). Expenditures for medical services by older and younger households were relatively equal in dollar terms ($513 vs. $455), but such expenditures represented over half of all health costs for younger households compared to about one-third for older urban units. There was little difference in the patterns of health expenditures for households headed by people 65-74 and people 75 and over from the pattern for older households as a group.

**Chart 2-21**

**HEALTH EXPENDITURES BY TYPE FOR YOUNGER AND OLDER URBAN HOUSEHOLDS: 1984**



NOTE: Percentages may not equal 100 due to rounding.

SOURCE: U.S. Bureau of Labor Statistics. *Consumer Expenditure Survey: 1984 Interview Survey*. Bulletin 2267, Washington: U.S. Department of Labor, August 1986.

# Chapter 3.

# Retirement Trends and Labor Force Participation

# Retirement Trends and Labor Force Participation

With this century's dramatic increase in longevity, people are spending more time in all of life's major activities—in education, in work, and in retirement. Retirement is now an established institution and more and more older people are leaving work for retirement well before age 65. For those older persons who need or want to continue to work, however, unemployment and age discrimination are serious problems. Older workers who are unemployed stay out of work longer than younger workers, suffer a greater earnings loss in subsequent jobs than younger workers, and are more likely to become discouraged, giving up the job search altogether.

The following section describes the current labor force and retirement trends of older workers.

## LIFETIME DISTRIBUTION OF EDUCATION, WORK, AND RETIREMENT

### RETIREMENT IS NO LONGER A LUXURY, IT IS NOW AN INSTITUTION

Increased longevity and changing social and work patterns have contributed to dramatic changes during this century in the distribution of time devoted to major life activities such as education, work, retirement, and leisure. Compared to a century ago, children are spending more time in school, both men and women in their middle years are spending more time in work, and older people are spending more time in retirement.

Retirement is now as much an expected part of a life course as family, school, or work. The portion of life spent in retirement has increased substantially since the beginning of this century (table 3-1, chart 3-1). In 1900, the average male had a life span of 46.3 years and only 1.2 years, or three percent of that, was spent in retirement or other activities outside the labor force. By 1980, the average male spent 19 percent of his 70.0 years in retirement, or 13.6 years. Thus, while life expectancy increased by 50 percent, average years in retirement increased 11 times.

Although, on the average, males spent nearly seven more years in the labor force in 1980 than in 1900, their working lives accounted for a smaller proportion of their lifespan in 1980 (55 percent), than in 1900 when males spent 69 percent of their lives working.

The number of years spent in school also increased for males from an average of eight years to 12.6 years between 1900 and 1980. The proportion of time devoted to education, however, only increased from 17 to 18 percent.

Changes in distribution patterns of major life activities are very different for women. As more women have entered the labor force, an historic increase has taken place in the proportion of time spent in work outside the home. Since 1900, the average number of years spent by women in the labor force increased from 6.3 to 29.4 years and from 13 percent of the lifespan to 38 percent.

### Table 3-1

### LIFECYCLE DISTRIBUTION OF EDUCATION, LABOR FORCE PARTICIPATION, RETIREMENT, AND WORK IN THE HOME: 1900-1980

| Subject | Year | | | | | |
|---|---|---|---|---|---|---|
| | 1900 | 1940 | 1950 | 1960 | 1970 | 1980 |
| | Number of years spent in activity | | | | | |
| Male | | | | | | |
| Average life expectancy | 46.3 | 60.8 | 65.6 | 66.6 | 67.1 | 70.0 |
| Retirement/work at home | 1.2 | 9.1 | 10.1 | 10.2 | 12.1 | 13.6 |
| Labor force participation | 32.1 | 38.1 | 41.5 | 41.1 | 37.8 | 38.8 |
| Education | 8.0 | 8.6 | 9.0 | 10.3 | 12.2 | 12.6 |
| Pre-school | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| Female | | | | | | |
| Average life expectancy | 48.3 | 65.2 | 71.1 | 73.1 | 74.7 | 77.4 |
| Retirement/work at home | 29.0 | 39.4 | 41.4 | 37.1 | 35.3 | 30.6 |
| Labor force participation | 6.3 | 12.1 | 15.1 | 20.1 | 22.3 | 29.4 |
| Education | 8.0 | 8.7 | 9.6 | 10.9 | 12.1 | 12.4 |
| Pre-school | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| | Percent distribution by activity type | | | | | |
| Male | | | | | | |
| Average life expectancy | 100 | 100 | 100 | 100 | 100 | 100 |
| Retirement/work at home | 3 | 15 | 15 | 15 | 18 | 19 |
| Labor force participation | 69 | 63 | 63 | 62 | 56 | 55 |
| Education | 17 | 14 | 14 | 15 | 18 | 18 |
| Pre-school | 11 | 8 | 8 | 8 | 7 | 8 |
| Female | | | | | | |
| Average life expectancy | 100 | 100 | 100 | 100 | 100 | 100 |
| Retirement/work at home | 60 | 60 | 58 | 51 | 47 | 40 |
| Labor force participation | 13 | 19 | 21 | 27 | 30 | 38 |
| Education | 17 | 13 | 14 | 15 | 16 | 16 |
| Pre-school | 10 | 8 | 7 | 7 | 7 | 6 |

SOURCE: U.S. Bureau of the Census. "Educational Attainment in the United States: March 1981 and 1980." *Current Population Reports* Series P-20, No. 390 (August 1984) (median years of school for persons 25 years or older, 1940-1980).

Best, Fred. "Work Sharing: Issues, Policy Options, and Prospects." Upjohn Institute for Employment Research, 1981, page 8 (1900 estimates of median years of school for persons 25 years or older).

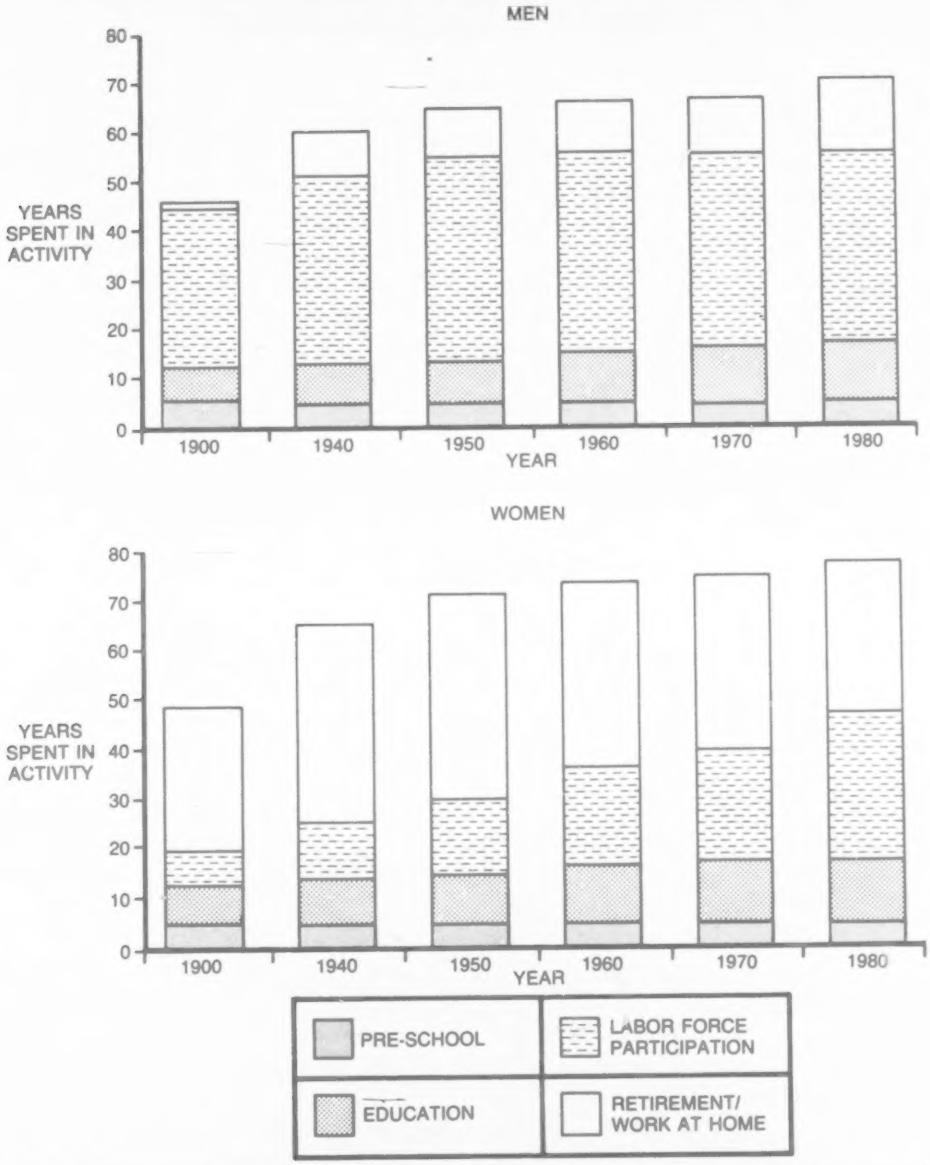
National Center for Health Statistics. *Vital Statistics of the United States, 1984.* Vol. 2, Section 6, March 1987 (life expectancy data).

Smith, Shirley J. "Revised Worklife Tables Reflect 1979-1980 Experience." *Monthly Labor Review* Vol. 108, No. 8 (August 1985) (worklife estimates).

NOTE: See explanatory material following chart 3-1.

## Chart 3-1

## LIFECYCLE DISTRIBUTION OF EDUCATION, LABOR FORCE PARTICIPATION, RETIREMENT AND WORK IN THE HOME: 1900-1980



SOURCE: U.S. Bureau of the Census. "Educational Attainment in the United States: March 1981 and 1980." *Current Population Reports* Series P-20, No. 390 (August 1984) (median years of school for persons 25 years or older, 1940-80).

Best, Fred. "Work Sharing: Issues, Policy Options, and Prospects." Upjohn Institute for Employment Research, 1981, page 8 (1900 estimates of median years of school for persons 25 years or older).

National Center for Health Statistics. *Vital Statistics of the United States, 1984*. Vol. 2, Section 6, March 1987 (life expectancy data).

Smith, Shirley J. "Revised Worklife Tables Reflect 1979-1980 Experience." *Monthly Labor Review* Vol. 108, No. 8 (August 1985) (worklife estimates).

NOTE: See explanatory material on next page.

(NOTE: The data on average worklife and retirement presented above and in chart 3-1 illustrate the projected experience of a hypothetical cohort born in a given year if the rates of mortality, labor force participation, and educational attainment which prevailed at that time were held constant into the future. Worklife estimates are also prepared for people at various ages, according to whether they are in the labor force at those ages (see article by Shirley J. Smith cited in table 3-1 and chart 3-1).

The estimates of worklife shown in table 3-1 and chart 3-1 are averages which include people who die at relatively young ages, people who never enter the labor force, and people who work only sporadically or for small portions of their lives, as well as people who are in the labor force continuously for several decades. In addition, the estimated worklife figures do not necessarily represent continuous employment although they are portrayed as such in chart 3-1. These estimates do not represent solely the experience of career employees and should not be used to calculate the average age at retirement. For example, chart 3-1 and table 3-1 indicate that men had a life expectancy at birth of 70.0 years and a worklife expectancy of 38.8 years in 1980. With 12.6 years of schooling beginning after age five, this implies retirement at age 56.4 whereas other data indicate the average age at retirement for people with significant amounts of labor force experience is between ages 60 and 65.)

# RETIREMENT

## MOST OLDER WORKERS RETIRE EARLIER THAN AGE 65

Since Social Security legislation was passed in 1935, age 65 has been commonly thought of as the "normal" retirement age. Today, however, most retirees leave work before they reach age 65. A 1978 national survey of American attitudes toward pensions and retirement found that almost two-thirds of retirees had left work before age 65.[1] The median age of retirement in this sample was 60.6. It is important to note that retirement is not necessarily synonymous with lack of employment. At the time of the survey, however, 81 percent of the retired respondents were not employed, eight percent were employed part-time, and five percent were working full-time.

Early retirement may be a permanent fixture of the American economy. Even an increase in the eligibility age for full Social Security benefits and the elimination of mandatory retirement at age 70 is likely to have only minimal impact on future retirement ages. According to the National Commission for Employment Policy, economic analyses have shown that changing the age of eligibility for full Social Security benefits from age 65 to 67 by the year 2027 would have a minimal effect on the actual age of retirement and would only raise the average retirement age by about three months.[2] The study projected that other options, such as reducing early retirement benefits, would also have little effect on retirement age. According to the results of numerous studies, people retire at a given age for a variety of reasons, such as health, availability of Social Security or private pension benefits, social expectations, and long-held plans.

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[1] Harris, Louis and Associates. *1979 Study of American Attitudes Towards Pensions and Retirement*. New York: Johnson & Higgins, 1979.

[2] Fields, Gary S. and Olivia S. Mitchell. *Restructuring Social Security: How Will Retirement Ages Respond?* Washington: National Commission on Employment Policy, April 1983.

# LABOR FORCE PARTICIPATION

## LABOR FORCE PARTICIPATION RATES DECLINE WITH AGE

Cross-sectional data demonstrate that the labor force participation of men and women declines steadily among older age groups (tables 3-2 and 3-3).

**Table 3-2**
**LABOR FORCE PARTICIPATION BY AGE AND SEX: 1986**
**(annual averages)**

| Labor force status | 55 to 59 | | | 60 to 64 | | | 65 plus | | |
|---|---|---|---|---|---|---|---|---|---|
| | Total | Male | Female | Total | Male | Female | Total | Male | Female |
| Civilian labor force (in thousands) | 7,203 | 4,195 | 3,008 | 4,691 | 2,759 | 1,932 | 3,010 | 1,811 | 1,199 |
| Labor force participation rate (percent) | 64.5 | 79.0 | 51.3 | 43.3 | 54.9 | 33.2 | 10.9 | 16.0 | 7.4 |
| Number employed (in thousands) | 6,896 | 4,002 | 2,894 | 4,509 | 2,652 | 1,858 | 2,919 | 1,753 | 1,165 |

NOTE: The U.S. labor force includes workers who are employed or unemployed but actively seeking employment. The participation rate is the percentage of individuals in a given group (e.g., age group) who are in the labor force.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings* Vol. 34, No. 1 (January 1987).

In 1986, 88.9 percent of men age 50 to 54 and 62 percent of women in this age group were in the labor force. By age 60 to 64, only about 55 percent of men and 33 percent of women were with the labor force. Among those 70 and older, only about 10 percent of men and four percent of women were in the labor force.

Workers who are age 55 to 64 make up ten percent of the total U.S. labor force, while 65-plus workers make up about 2.6 percent. In 1986, there were about 12 million workers age 55 to 64 (seven million men and 4.9 million women) and three million workers age 65-plus (1.8 million men and 1.2 million women).

**Table 3-3**
**LABOR FORCE PARTICIPATION RATES BY AGE, SEX, AND RACE: 1986**
**(annual averages in percent)**

| Sex and race | 50-54 years | 55-59 years | 60-64 years | 65-69 years | 70 + years |
|---|---|---|---|---|---|
| Total male | 88.9 | 79.0 | 54.9 | 25.0 | 10.4 |
| Total female | 62.0 | 51.3 | 33.2 | 14.3 | 4.1 |
| White male | 89.8 | 79.8 | 55.7 | 25.3 | 10.7 |
| White female | 62.0 | 51.0 | 33.1 | 14.3 | 4.1 |
| Black male | 81.1 | 70.8 | 45.9 | 21.0 | 7.2 |
| Black female | 62.1 | 52.9 | 33.3 | 13.9 | 4.6 |

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings* Vol. 34, No. 1 (January 1987).

(NOTE: People are considered to be a part of the labor force if they are either currently employed or unemployed but actively seeking work. These data present a picture of specific age groups at one point in time and do not necessarily imply a trend that follows the aging process specifically.)

## THE LABOR FORCE PARTICIPATION OF OLDER WORKERS IS CONTINUING TO DECLINE

The labor force participation of older men has dropped rapidly over the last 30 years (chart 3-2). In 1950, almost half (46 percent) of all men age 65 and over were in the labor force; by 1960, this figure had dropped to 33 percent and, by 1970, to 27 percent. By 1986, only 16 percent of older men were in the labor force (table 3-2). The drop is due in part to an increase in early retirement and a drop in self-employment. The decrease in male labor force participation extends even to men in their 50s. By 1986, the labor force participation rate among males aged 55 to 59 had dropped to 79 percent from its earlier level of almost 92 percent in 1960.

Labor force participation of older women has varied only slightly (chart 3-3). In 1950, about ten percent of women age 65 and over were in the labor force; but by 1986, the percentage had dropped slightly to 7.4 percent. For women over age 70, labor force participation dropped from six percent to four percent between 1950 and 1986. Over the same period, women in the 55 to 64 age group increasingly joined the work force. In 1950, only 27 percent of women in this age category worked, but by 1969, the proportion had risen to 43 percent. The rate for these women has been relatively constant since then and was 42 percent in 1986. This is in marked contrast to the steep decline in labor force participation by men in the same age group since the early 1960s, which resulted primarily from the early retirement provisions of Social Security.

Historically, labor force participation for black women 65 years and older has been somewhat higher than for white women. In recent years, however, the rates have converged; and less than one percentage point separated the two groups in 1986 (7.3 percent for elderly white females and 7.8 percent for elderly black females). The extent of labor force participation for older black men (13 percent) was lower in 1986 than the rate for older white men (16 percent). The rates for older white and black men were essentially equal during the 1970s, but the rate for black men has fallen more rapidly since 1979.

## JOBS ARE SHIFTING TO SERVICE AND LIGHT INDUSTRIES

The U.S. economy has been shifting from agriculture and heavy industry to service industries. For example, the number of American jobs located in the goods-producing sector (agriculture, mining, construction, and manufacturing) rose slightly between 1959 and 1984, but the number of jobs in the service-producing sector nearly doubled. The proportion of all jobs in the goods-producing sector fell from 40 to 28 percent during this period, while the service-producing sector share of jobs rose from 60 to 72 percent.[3] In 1986, service industries employed 40 percent of all workers 65 years or older (table 3-4).

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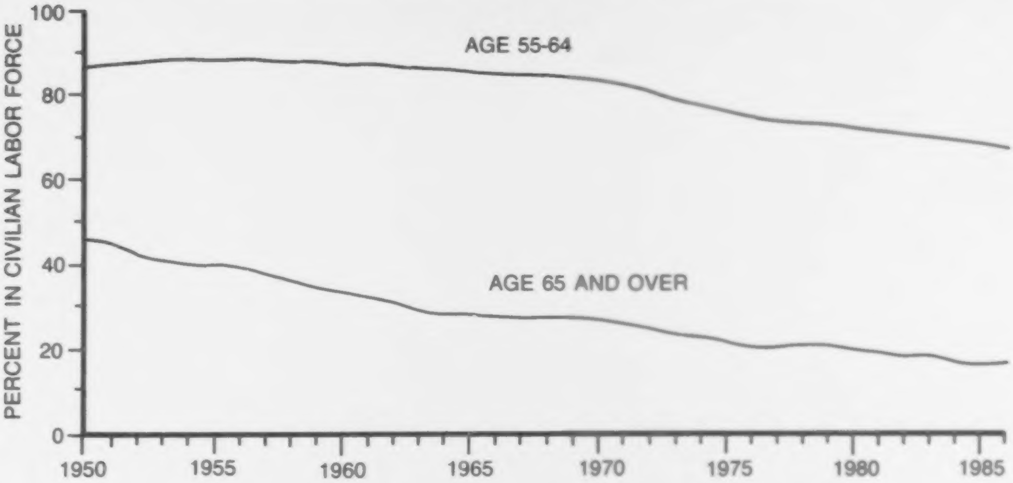
[3] Kutscher, Ronald E. and Valerie A. Personick. "Deindustrialization and the Shift to Services." *Monthly Labor Review* Vol. 109, No. 6 (June 1986).

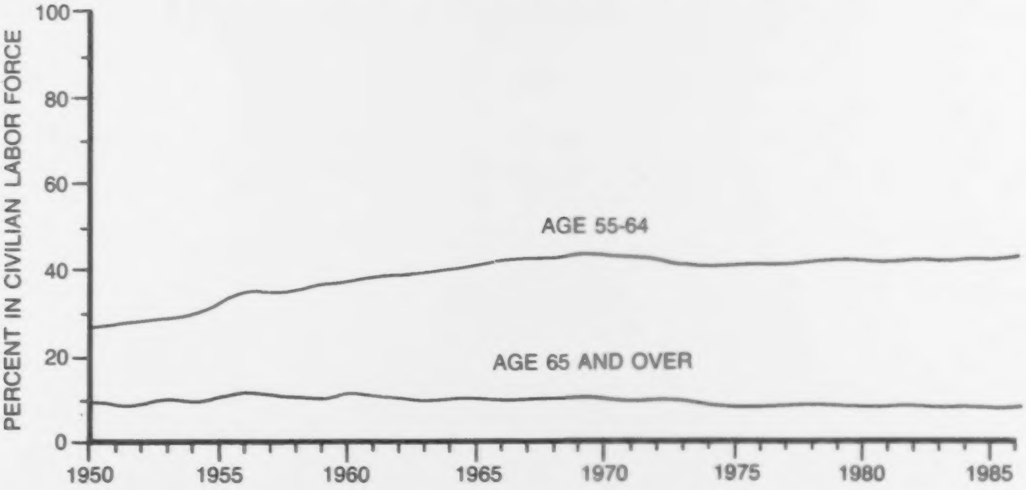
## Chart 3-2
## LABOR FORCE PARTICIPATION OF OLDER MEN BY AGE: 1950-1986



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. *Handbook of Labor Statistics*. Bulletin 2217 (June 1985) (data for 1950 to 1983).

U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings*. Vols. 32, 33, and 34, No. 1 (January 1985, 1986, and 1987) (data for 1984 to 1986).

## Chart 3-3
## LABOR FORCE PARTICIPATION OF OLDER WOMEN BY AGE: 1950-1986



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. *Handbook of Labor Statistics*. Bulletin 2217 (June 1985) (data for 1950 to 1983).

U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings*. Vols. 32, 33, and 34, No. 1 (January 1985, 1986, and 1987) (data for 1984 to 1986).

### Table 3-4
### INDUSTRY OF EMPLOYED WORKERS BY AGE: 1986
### (annual averages)

| Industry | Age<br>55-59 | <br>60-64 | <br>65 plus |
|---|---|---|---|
| Employed workers (in thousands) | 6,896 | 4,509 | 2,919 |
| Distribution (in percent)[1] | 100 | 100 | 100 |
| Agriculture | 3 | 5 | 10 |
| Mining | 1 | 1 | 0 |
| Construction | 6 | 5 | 4 |
| Manufacturing—durables | 13 | 12 | 5 |
| Manufacturing—nondurables | 8 | 8 | 5 |
| Transportation/public utilities | 8 | 6 | 3 |
| Trade—wholesale and retail | 17 | 18 | 21 |
| Finance, insurance and real estate | 6 | 7 | 7 |
| Services | 32 | 33 | 40 |
| Public administration | 5 | 5 | 4 |

[1] May not add to 100 due to rounding.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. Unpublished data from the 1986 Current Population Survey.

The occupational structure of the labor force has undergone similar changes, with a decreasing emphasis on agricultural and blue-collar jobs and an increasing emphasis on white-collar and service occupations. In 1986, almost three-quarters of workers 65 and older were in managerial and professional; technical, sales, and administrative support; and service occupations (table 3-5 and chart 3-4). This shift from physically demanding or hazardous jobs to those in which skills or knowledge are the important requirements may increase the potential for older workers to remain in the labor force longer.

According to labor force projections developed by the Bureau of Labor Statistics (BLS), the majority of working older persons are currently employed in those industries—trade (wholesale and retail) and services—that are expected to account for 77 percent of the gains in employment between 1986 and 2000.[4] BLS also predicts that 91 percent of the overall increase in employment during this period will occur in the occupational groups that are the biggest employers of older persons—service and blue-collar occupations.

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[4] Kutscher, Ronald E. "Overview and Implications of the Projections to 2000." *Monthly Labor Review* Vol. 110, No. 9 (September 1987).

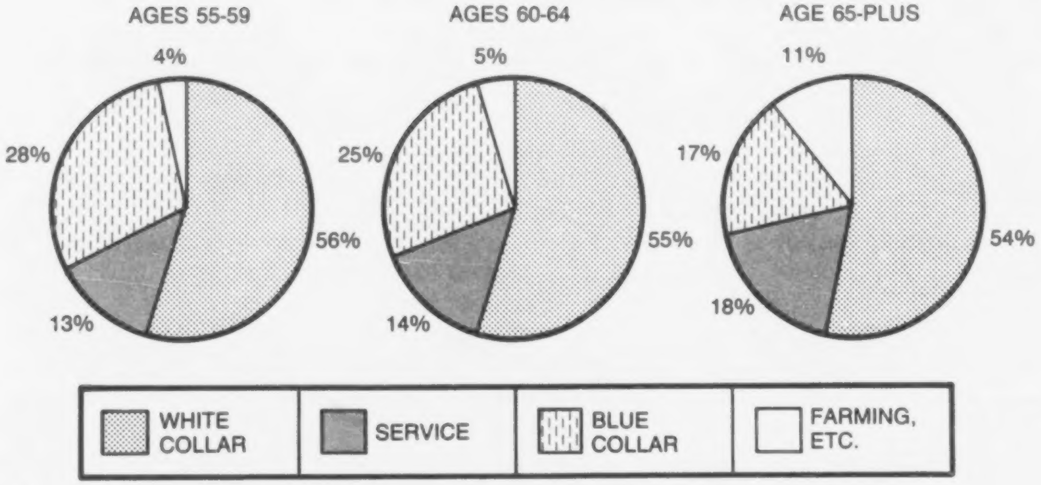
## Table 3-5
## OCCUPATION OF EMPLOYED WORKERS BY AGE: 1986
## (annual averages)

| Occupation | Age<br>55-59 | <br>60-64 | <br>65 plus |
|---|---|---|---|
| Employed workers (in thousands) | 6,896 | 4,509 | 2,919 |
| Distribution (in percent)[1] | 100 | 100 | 100 |
| Managerial and professional specialty | 26 | 25 | 24 |
| Technical, sales, administrative support | 30 | 30 | 30 |
| Service | 13 | 14 | 18 |
| Precision production, craft, repair | 13 | 11 | 8 |
| Operators, fabricators, laborers | 15 | 14 | 9 |
| Farming, forestry, fishing | 4 | 5 | 11 |

[1] May not add to 100 due to rounding.

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. Unpublished data from the 1986 Current Population Survey.

## Chart 3-4
## OCCUPATION OF OLDER WORKERS BY AGE: 1986



SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. Unpublished data from the 1986 Current Population Survey.

NOTE: White collar occupations include managerial/professional and technical/sales/administrative support. Blue collar occupations include precision production/craft/repair, and operators/fabricators/laborers.

# PART-TIME WORK

## PART-TIME WORK IS AN INCREASINGLY IMPORTANT FORM OF EMPLOYMENT FOR WORKERS 65 AND OVER

Part-time work is viewed by the working public of all ages as desirable during retirement.[5] According to results of a nationwide poll taken by Lou Harris in 1981, about three-quarters of the labor force prefer to continue some kind of paid part-time work after retirement. The majority of the older labor force respondents to this survey felt that a flexible work schedule would be beneficial for retirees. Seventy-four percent of workers age 55 and over interviewed in the Harris survey, for instance, felt that a job that allows a day or two a week at home would be beneficial if they wanted to work after retirement. Eighty percent felt that greater availability of part-time work would be helpful, 71 percent felt that a job shared with someone else would be beneficial, and 57 percent felt that the freedom to set a flexible work schedule as long as one worked 70 hours every two weeks would be helpful. In contrast, far fewer individuals 55 and over (44 percent) felt that regular full-time jobs would be a help to them personally if they wanted to work after retirement.

Although the actual number of older persons working part time does not begin to equal the number who report that this would be desirable, the proportion of both male and female workers on part-time schedules increases after age 65. This difference has become more dramatic in recent decades (table 3-6). For instance, the proportion of male workers age 45 to 64 on part-time schedules did not increase from 1960 to 1986, but the proportion of 65-plus male part-time workers increased from 30 to 48 percent during this same period.

**Table 3-6**

**EMPLOYED PERSONS 45 YEARS AND OVER ON PART-TIME AND FULL-TIME WORK SCHEDULES BY AGE AND SEX: 1960-86**

**(percent distribution based on annual averages)**

| Sex and age | 1960 | | 1970 | | 1982 | | 1986 | |
|---|---|---|---|---|---|---|---|---|
| | Full time | Part time | Full time | Part time | Full time | Part time | Full time | Part time |
| Males: | | | | | | | | |
| 45 to 64 | 94 | 6 | 96 | 4 | 93 | 7 | 93 | 7 |
| 65 plus | 70 | 30 | 62 | 38 | 52 | 48 | 52 | 48 |
| Females: | | | | | | | | |
| 45 to 64 | 78 | 22 | 77 | 23 | 73 | 27 | 75 | 25 |
| 65 plus | 57 | 43 | 51 | 49 | 40 | 60 | 39 | 61 |

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. Unpublished data from the Current Population Survey.

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[5] Harris, Louis and Associates. *Aging in the Eighties: America in Transition*. National Council on the Aging, 1981.

In 1986, the Congress passed legislation abolishing age-based mandatory retirement for most workers in the private sector as well as persons employed by state and local governments. Mandatory retirement had already been abolished for most federal workers, and 20 states had already taken some action (including abolition of mandatory retirement) to protect older workers against age-based employment discrimination. The elimination of mandatory retirement, however, is not expected to result in a significant increase in the number of older workers in the labor force.

# UNEMPLOYMENT

## FOR OLDER WORKERS, UNEMPLOYMENT RESULTS IN LONG-TERM PROBLEMS

The unemployment rate for older workers is about half that of younger workers, but once they lose their jobs, older workers stay unemployed longer than younger workers, suffer a greater earnings loss in a subsequent job than younger workers, and are more likely to give up looking for another job following a layoff.[6]

The majority of older persons do not want to work full time after retirement because they see retirement as a reward for years in the labor force or because they have disabling health problems. Almost two-thirds of retirees age 65 and over report that they left the work force by choice.[7] Of the remaining one-third who report that they were forced to retire, close to two-thirds claim to have retired because of disability or poor health and 20 percent because their employers had a mandatory retirement age.

Unemployment is a serious problem for those persons who have to work for economic reasons or because they want to stay active. Based on figures for 1986, the unemployment rate for persons age 65 and over was 3.0 percent (table 3-7). Of Americans age 60 and over, 273,000 were out of work in 1986; 91,000 of these were age 65 or over. These numbers are not large compared to younger age groups, but because duration of unemployment is longer among older workers and there are relatively many more discouraged older workers than younger workers, the official unemployment figures may understate the number of people with employment problems more for older than for younger workers.

Table 3-7
UNEMPLOYMENT BY AGE AND SEX: 1986
(annual averages)

| Subject | 60-64 | | | 65 plus | | |
|---|---|---|---|---|---|---|
| | Total | Male | Female | Total | Male | Female |
| Number unemployed (in thousands) | 182 | 107 | 74 | 91 | 58 | 33 |
| Unemployment rate (percent) | 3.9 | 3.9 | 3.8 | 3.0 | 3.2 | 2.8 |

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics. *Employment and Earnings* Vol. 34, No. 1 (January 1987).

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[6] Rones, Philip L. "Labor Market Problems of Older Workers." *Monthly Labor Review* Vol. 106, No. 5 (May 1983).
Parnes, Herbert S., Mary G. Gagen, and Randall H. King. "Job Loss Among Long Service Workers." *Work and Retirement: A Longitudinal Survey of Men* Ed. Herbert S. Parnes. Cambridge: MIT Press (1981).

[7] Harris, Louis and Associates. *Aging in the Eighties: America in Transition*. National Council on the Aging, 1981.

Older persons who are unemployed stay out of work longer than younger persons. In fact, persons age 55 to 64 have the longest duration of unemployment of any group in the country. Workers aged 55 to 64 in 1986 had an average of 24 weeks of unemployment compared to 13 weeks for workers age 20 to 24.

Discouraged workers are those who want a job but do not look for work because they think no jobs are available or that they would not be hired. They do not appear in either unemployment or employment statistics. For persons age 60 and over, the number of discouraged workers was 186,000 in 1986. If they were included in labor force statistics, discouraged workers would increase the 1986 unemployment rate for workers 60 years or older from 3.5 percent to 5.8 percent.

Older job seekers are far less likely to find jobs than younger persons. If they do find jobs, they are more likely to suffer an earnings loss. Longitudinal data and surveys have demonstrated that the wages of rehired older workers are often so low that they discourage many from seeking work after losing a job. Fringe benefits for older workers are also less common, largely because most older workers are employed by small employers who provide only limited, if any, benefits for their workers.

# Chapter 4.
# Health Status and Health Services Utilization

# *Health Status and Health Services Utilization*

The majority of elderly persons in their younger retirement years are relatively healthy and are not as limited in activity as frequently assumed—even if they have chronic illnesses. However, health and mobility do decline with advancing age. By the eighth and ninth decades of life, the chance of being limited in activity and in need of health and social services increases significantly.

This section describes the health status, health utilization patterns, and health expenses of the older population.

## SELF-ASSESSMENT OF HEALTH

### OLDER PERSONS HAVE A POSITIVE VIEW OF THEIR PERSONAL HEALTH

Contrary to popular opinion, older people, on average, view their health positively. According to results of the 1986 Health Interview Survey conducted by the National Center for Health Statistics, 70 percent of elderly persons living in the community describe their health as excellent, very good, or good compared with others their age; only 30 percent report that their health is fair or poor.[1] Although this survey excludes the institutionalized 65-plus population and, therefore, oversamples the healthy elderly, the results are a good indicator of overall health status of the elderly in the community.

Income is directly related to one's perception of his or her health (chart 4-1). About 24 percent of older people with incomes over $20,000 described their health as excellent compared with others their age, while only 11 percent of those with low incomes (less than $10,000) reported excellent health.[2]

## CHRONIC CONDITIONS AND HEALTH PROBLEMS

### CHRONIC CONDITIONS, ALTHOUGH NOT NECESSARILY LIMITING, ARE THE BURDEN OF OLDER AGE

The pattern of illness and disease has changed in the past 80 years. Acute conditions were predominant at the turn of the century, while chronic conditions

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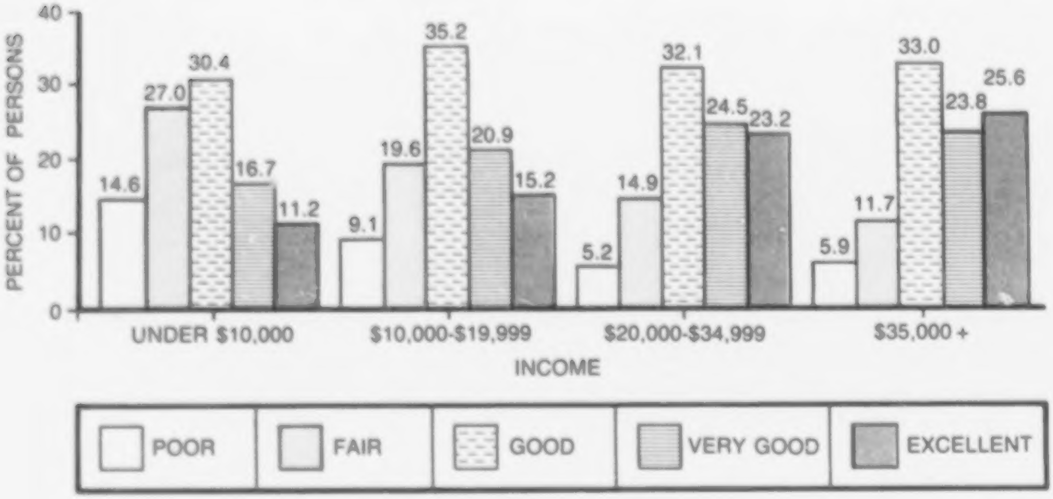
[1] National Center for Health Statistics. "Current Estimates from the National Health Interview Survey, United States, 1986." *Vital and Health Statistics* Series 10, No. 164 (October 1987).

[2] Ibid.

Chart 4-1

SELF-ASSESSMENT OF HEALTH BY INCOME FOR PERSONS 65 YEARS AND OLDER: 1986



SOURCE: National Center for Health Statistics. "Current Estimates from the National Health Interview Survey, United States, 1986." *Vital and Health Statistics* Series 10, No. 164 (October 1987).

are now the more prevalent health problem for elderly persons.[3] There has also been a change in the pattern of wellness within an individual's lifetime. As individuals grow older, acute conditions become less frequent and chronic conditions become more prevalent. Cross-sectional data have shown that the likelihood of suffering from a chronic illness or disabling condition increases rapidly with age. More than four out of five persons 65 and over have at least one chronic condition and multiple conditions are commonplace among older persons.

The leading chronic conditions for the elderly in 1986 were arthritis, hypertensive disease, hearing impairments, and heart conditions (chart 4-2). In most cases, the rates for these diseases are much higher for the elderly population than for persons 45 to 64. For instance, the likelihood of suffering from arthritis is 68 percent higher for those 65 and over than for those age 45 to 64; the likelihood of hypertension is 57 percent higher for the older age group.

Most visits to the hospital by older persons are for chronic conditions. Heart disease and other circulatory problems, diseases of the digestive and respiratory

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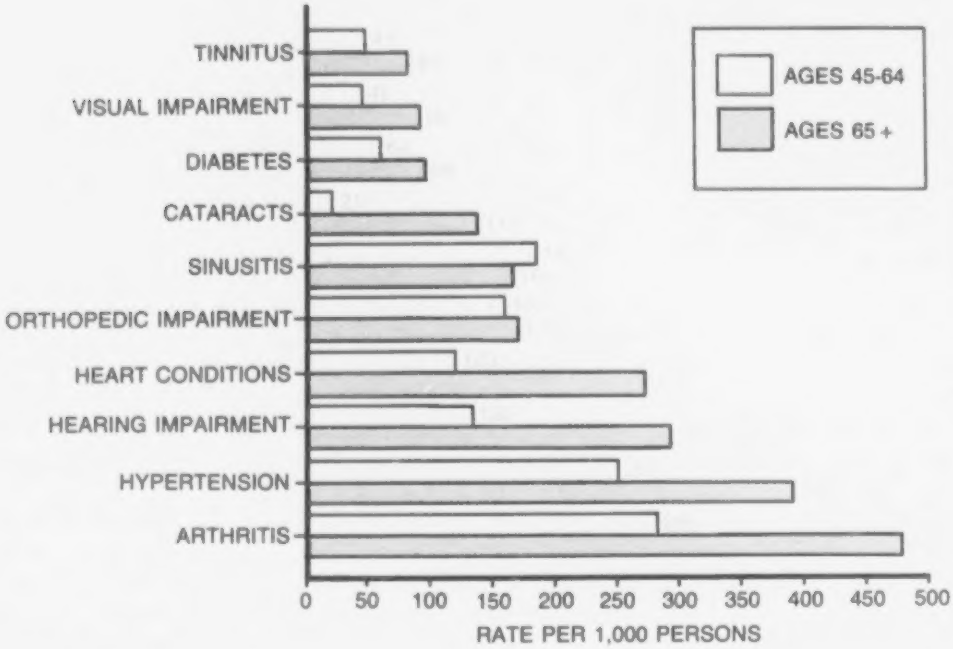
[3] Lawrence, Linda and Thomas McLemore. "1981 Summary: National Ambulatory Medical Care Survey." *Advance Data* No. 88, National Center for Health Statistics (March 16, 1983).

## Chart 4-2
## MORBIDITY FROM TOP TEN CHRONIC CONDITIONS: 1986



SOURCE: National Center for Health Statistics. "Current Estimates from the National Health Interview Survey, United States, 1986." *Vital and Health Statistics* Series 10, No. 164 (October 1987).

systems, and cancer are the leading causes of hospitalization among the elderly.[4] Likewise, most physician visits by older persons are for such chronic conditions as circulatory problems, diabetes, arthritis, and eye problems.[5]

The types of conditions experienced by older people vary by sex and race. Older men are more likely than women to experience acute illnesses that are life threatening, while elderly women are more likely to have chronic illnesses that cause physical limitations. Arthritis and osteoporosis, for example, are much more common among older women than men, while coronary heart disease is much more common among older men. The health situation of elderly blacks is generally poorer than that of elderly whites. For example, hypertension was more prevalent among blacks 65 to 74 years old (60 percent) than whites (44 percent) according to health data from 1976-80.[6]

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[4] National Center for Health Statistics. "Detailed Diagnoses and Procedures for Patients Discharged from Short-Stay Hospitals: United States, 1985." *Vital and Health Statistics* Series 13, No. 90 (April 1987).

[5] National Center for Health Statistics. "The National Ambulatory Medical Care Survey, United States, 1979 Summary." *Vital and Health Statistics* Series 13, No. 66 (September 1982).

Severe chronic illness can prevent individuals from functioning independently, increasing the need for long-term care services. In 1985, an estimated 5.2 million persons 65 years or older were mildly to severely disabled and needed assistance and special aids to maintain their independence. This figure is expected to reach 7.3 million by the turn of the century, 10.1 million by the year 2020, and 14.4 million by 2050.[7]

The severity of certain chronic diseases may be reduced in the near future by new technologies. Such clinical innovations as renal dialysis, insulin pumps, and medications to reduce vascular spasming after a stroke are examples of recent advances that could benefit older persons.

## HEART DISEASE IS THE LEADING HEALTH PROBLEM FOR THE ELDERLY

Heart disease leads all other conditions in each of four major indicators of mortality or health care use by the elderly. It accounted for ten percent of all doctor visits, 18 percent of all short-stay hospital and bed disability days, and 45 percent of all deaths in 1980 (chart 4-3). Sex differences in heart disease mortality are dramatic. In 1984, the age-adjusted death rate for all ages from diseases of the heart was more than twice as high for white men than for white women. However, although heart disease remains the major contributor to poor health and death in old age, the past three decades have shown a marked decline in death rates for heart disease. One probable contributing factor to the overall decline in heart disease mortality of the past three decades has been an increase in the control of hypertension, a major risk factor in heart disease.[8]

Heart disease, cancer, and stroke together account for over three-quarters of all deaths among the elderly. They also are responsible for about 20 percent of doctor visits, 40 percent of hospital days, and 50 percent of all days spent in bed. Arthritis and rheumatism, on the other hand, account for relatively few deaths and only two percent of hospital days. They do, however, account for 16 percent of days spent in bed, nearly as much as for heart disease.

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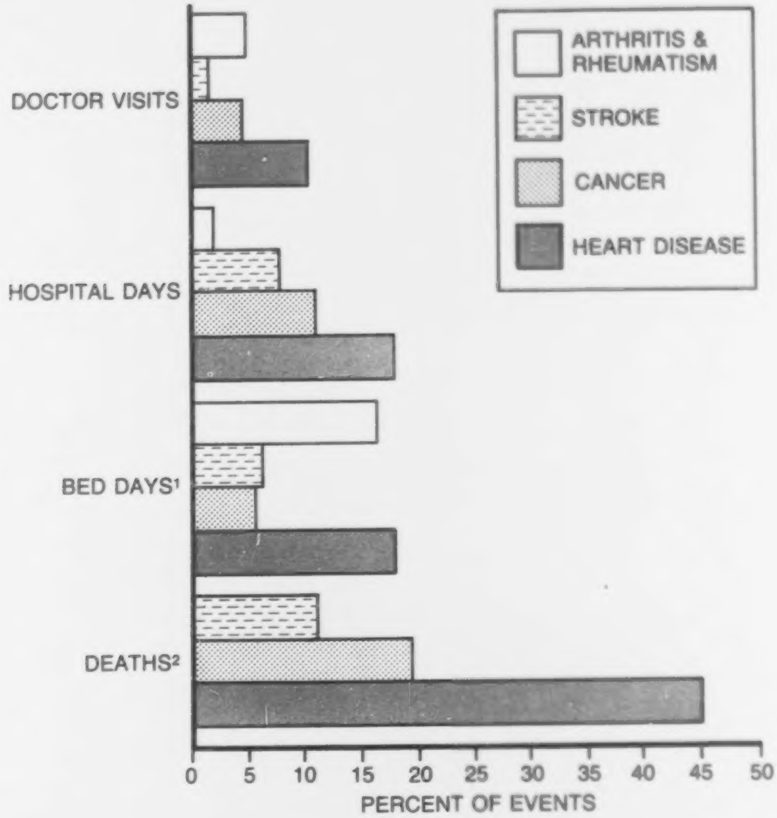
[6] National Center for Health Statistics. "Blood Pressure Levels in Persons 18-74 Years of Age in 1976-1980, and Trends in Blood Pressure from 1960 to 1980 in the United States." *Vital and Health Statistics* Series 11, No. 234 (July 1986).

[7] Manton, Kenneth and Korbin Liu. "The Future Growth of the Long-Term Population: Projections Based on the 1977 National Nursing Home Population and the 1982 Long-Term Care Survey." Paper prepared for the Third National Leadership Conference on Long-Term Care Issues: Washington, D.C., March 7-9, 1984.

[8] National Center for Health Statistics. *Health, United States, 1985*. DHHS Pub. No. (PHS)86-1232, Washington: Department of Health and Human Services, December 1985.

## Chart 4-3

## PROPORTION OF MEDICAL EVENTS CAUSED BY SELECTED CONDITIONS FOR PERSONS AGE 65 AND OLDER: 1980



SOURCE: National Center for Health Statistics. *Health, United States, 1982.* DHHS Pub. No. (PHS)83-1232, Washington: Department of Health and Human Services, December 1982.

[1] Average for 1979 and 1980.
[2] Provisional data.

## MENTAL HEALTH PROBLEMS OF THE ELDERLY ARE SIGNIFICANT IN THEIR IMPACT ON MENTAL STATUS AND EMOTIONAL STATE IN LATER LIFE

The mental health problems of the elderly are significant in frequency, in their impact on mental status in later life, and in their potential influence on the course of physical illness in older adults. Studies over the last several decades have documented that between 15 and 25 percent of older persons have serious symptoms due to mental disorders.[9] More recent reports have continued to document comparably high levels of major disorders, symptoms, and suicide. The number of persons with mental disorders living in nursing homes continues to rise. At the same time, 27 percent of state mental hospital patients are 65 years of age or older.

Alzheimer's disease is the leading cause of cognitive impairment in old age.[10] Alzheimer's disease and other organic mental disorders affect more than six percent of older adults. Cognitive impairment, whether from Alzheimer's or other causes, is one of the principal reasons for institutionalization of the elderly.

Suicide is a more frequent cause of death among the elderly than among any other age group, although this is due primarily to the relatively high suicide rate among older white men. In 1984, the suicide rate for white men 65 years and older (41.6 deaths per 100,000 population) was nearly four times the national rate (11.6), three times the rate for older black men (14.0), six times the rate for older white women (7.2), and 24 times the rate for older black women (1.7).[11]

The relationship between mental and physical health is particularly significant among older persons. There is a growing body of knowledge pointing out the adverse affects of mental health problems on the course of illness in later life.[12] For example, psychiatric consultation has had a positive effect on the length of stay and outcome for cardiac surgery patients.[13]

Depression plays an important role in the overall health status of older persons. Symptoms of depression have been described in as many as 15 percent of older persons living in the community. While differing rates of depression have been reported to describe the profile of mental health in old age, these rates may be misleading because they often reflect only "primary" depressions—depressions that occur for other than physical causes or drug side effects. When the numbers of those who suffer from "secondary" depression are factored in, a more accurate picture of depression in later life emerges. Older people are more at risk for secondary depressions, due to illness or drug side effects, than any other age group because they suffer from more physical illness and take more medication than other age groups.

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[9] Roth, Martin. "The Psychiatric Disorders of Later Life." *Psychiatric Annals* Vol. 6, No. 9 (September 1976).

[10] Mortimer, J.A. "Alzheimer's Disease and Senile Dementia: Prevalence and Incidence." *Alzheimer's Disease: The Standard Reference*. Edited by Barry Reisberg. New York: The Free Press, 1983, pages 141-148.

[11] National Center for Health Statistics. *Health, United States, 1986*. DHHS Pub. No. (PHS)87-1232, Washington: Department of Health and Human Services, December 1986.

[12] Cohen, Gene. "Toward an Interface of Mental and Physical Health Phenomena in Geriatrics: Clinical Findings and Questions." *Aging 2000: Our Health Care Destiny* Vol. I, New York: Springer-Verlag, 1985.

[13] Levitan, Stephan J. and Donald S. Kornfeld. "Clinical and Cost Benefits of Liaison Psychiatry." *American Journal of Psychiatry* Vol. 138, No. 6 (1981).

Many factors have contributed to what has become a less healthy nursing home population now as compared to the past. This applies to both the mental and physical health of nursing home residents. Mental health problems, however, have always been common among nursing home patients. For example, cognitive impairments are frequently important factors in the decision to place someone in a nursing home. In 1985, about 63 percent of the 1.3 million older residents of nursing homes were disoriented or memory impaired to the extent that their basic daily functioning was hindered. Two-thirds of these impaired residents were reported to have senile dementia or chronic organic brain syndrome. The incidence of disorientation or memory impairment increased with age, with a growing majority of all age groups among older nursing home residents exhibiting these symptoms (table 4-1). Several studies have found as many as 70 to 80 percent of residents experience psychiatric problems. One recent study identified 94 percent of the residents of a nursing home as having mental disorders.[14]

### Table 4-1

### PERCENT OF ELDERLY NURSING HOME RESIDENTS WITH COGNITIVE IMPAIRMENT BY AGE, SEX, AND RACE: 1985

| Age, sex, and race | Disorientation or memory impairment | Senile dementia or chronic organic brain syndrome |
|---|---|---|
| | Percent | |
| Total (65 years and over) | 62.6 | 47.0 |
| Age | | |
| 65-74 years | 55.7 | 34.0 |
| 75-84 years | 60.8 | 45.4 |
| 85 years and over | 66.6 | 52.9 |
| Sex | | |
| Male | 58.8 | 42.1 |
| Female | 63.9 | 48.6 |
| Race | | |
| White | 62.2 | 46.8 |
| Black | 69.5 | 51.4 |
| Other | 56.2 | *35.2 |

SOURCE: Hing, Esther. "Use of Nursing Homes by the Elderly: Preliminary Data from the National Nursing Home Survey." *Advance Data* No. 135, National Center for Health Statistics (May 14, 1987).

*Figure does not meet standard of reliability or precision.

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[14] Rovner, Barry W., Stephanie Kafonek, Laura Filipp, Mary Jane Lucas, and Marshall F. Folstein. "Prevalence of Mental Illness in a Community Nursing Home." *American Journal of Psychiatry* Vol. 143, No. 11 (November 1986).

# ACTIVITY LIMITATION

## ONE OF FOUR ELDERLY PERSONS HAS SOME DEGREE OF LIMITATION WHILE A SMALL PROPORTION ARE SEVERELY DISABLED

The severity of any disease can differ tremendously from person to person, causing varying degrees of limitation in activity. For example, one person with arthritis may become housebound, while another only suffers from occasional bouts with very limited loss of mobility.

A widely used measure of disability among older persons is the degree of functional limitation or difficulty individuals experience in performing personal care or home management activities. Personal care activities include bathing, dressing, eating, getting in and out of bed and chairs, walking, going outside, and using the toilet—also known as "activities of daily living" or ADLs. Home management activities include preparing meals, shopping for personal items, managing money, using the telephone, doing heavy housework, and doing light housework—activities termed "instrumental activities of daily living" or IADLs.[15]

In 1984, a special Supplement on Aging was added to the National Health Interview Survey to collect information about the physical limitations of older people living in the community. Data from the supplement show that about one-quarter (23 percent) of the population 65 and over living in the community had difficulty with one or more of the seven personal care activities (ADLs) inventoried, and about the same proportion (27 percent) had difficulty with at least one of the six home management activities (IADLs) (tables 4-2, 4-3). Not surprisingly, the proportion of persons experiencing difficulty with daily life activities—personal care or home management—increased with age. For example, the proportion reporting difficulty with one or more personal care activities rose from 15 percent for people 65-69 years of age to 49 percent for people 85 years or older.

A greater proportion of women than men 65 and over reported difficulty with personal care activities, which may reflect the older age, on average, of women in this population group. When home management activities were considered, women were significantly more likely than men in this age range to have difficulty performing most IADLs. These differences may again reflect the older age distribution of women, but also, in part, the cultural phenomenon that many older men do not routinely perform home management tasks and are thus at reduced risk of experiencing health-related difficulties with them.[16]

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[15] Dawson, Deborah; Gerry Hendershot; and John Fulton. "Aging in the Eighties: Functional Limitations of Individuals 65 and Over." *Advance Data* Number 133, National Center for Health Statistics (June 10, 1987).

[16] Ibid.

## Table 4-2

## PERCENT DISTRIBUTION OF PERSONS 65 YEARS OF AGE AND OVER BY NUMBER OF PERSONAL CARE ACTIVITIES THAT ARE DIFFICULT, ACCORDING TO SEX AND AGE: 1984

| Sex and age | Total | Number of personal care activities that are difficult: None | 1 | 2 | 3 | 4-7 |
|---|---|---|---|---|---|---|
| | Percent | | | | | |
| Both sexes | | | | | | |
| 65 years and over | 100.0 | 77.3 | 9.2 | 4.7 | 2.8 | 5.9 |
| 65-74 years | 100.0 | 82.9 | 7.8 | 3.7 | 1.9 | 3.7 |
| 65-69 years | 100.0 | 85.3 | 6.8 | 3.1 | 1.5 | 3.2 |
| 70-74 years | 100.0 | 79.9 | 9.1 | 4.4 | 2.4 | 4.2 |
| 75-84 years | 100.0 | 72.2 | 11.2 | 5.4 | 3.7 | 7.4 |
| 75-79 years | 100.0 | 75.9 | 10.8 | 4.3 | 3.3 | 5.7 |
| 80-84 years | 100.0 | 65.6 | 12.1 | 7.4 | 4.6 | 10.4 |
| 85 years and over | 100.0 | 51.2 | 12.8 | 10.2 | 6.7 | 19.2 |
| Male | | | | | | |
| 65 years and over | 100.0 | 81.3 | 8.8 | 3.5 | 2.0 | 4.5 |
| 65-74 years | 100.0 | 84.6 | 7.6 | 2.7 | 1.8 | 3.2 |
| 65-69 years | 100.0 | 86.5 | 6.6 | 2.1 | 1.5 | 3.2 |
| 70-74 years | 100.0 | 82.1 | 9.0 | 3.6 | 2.2 | 3.1 |
| 75-84 years | 100.0 | 77.6 | 10.6 | 4.2 | 2.2 | 5.4 |
| 75-79 years | 100.0 | 80.3 | 10.1 | 2.9 | 2.4 | 4.4 |
| 80-84 years | 100.0 | 71.8 | 11.6 | 7.2 | 1.9 | 7.6 |
| 85 years and over | 100.0 | 60.1 | 13.2 | 8.3 | 3.5 | 14.9 |
| Female | | | | | | |
| 65 years and over | 100.0 | 74.6 | 9.5 | 5.6 | 3.4 | 6.9 |
| 65-74 years | 100.0 | 81.6 | 7.9 | 4.4 | 2.0 | 4.0 |
| 65-69 years | 100.0 | 84.4 | 7.0 | 3.9 | 1.5 | 3.2 |
| 70-74 years | 100.0 | 78.3 | 9.1 | 5.0 | 2.6 | 5.0 |
| 75-84 years | 100.0 | 68.9 | 11.6 | 6.2 | 4.7 | 8.6 |
| 75-79 years | 100.0 | 73.0 | 11.2 | 5.4 | 3.9 | 6.6 |
| 80-84 years | 100.0 | 62.4 | 12.3 | 7.5 | 5.9 | 11.9 |
| 85 years and over | 100.0 | 47.2 | 12.6 | 11.1 | 8.1 | 21.1 |

SOURCE: Dawson, Deborah, Gerry Hendershot, and John Fulton. "Aging in the Eighties: Functional Limitations of Individuals Age 65 Years and Over." *Advance Data* No. 133, National Center for Health Statistics (June 10, 1987).

NOTE: Figures may not add to 100.0 because of rounding.

## Table 4-3

## PERCENT DISTRIBUTION OF PERSONS 65 YEARS OF AGE AND OVER BY NUMBER OF HOME MANAGEMENT ACTIVITIES THAT ARE DIFFICULT, ACCORDING TO SEX AND AGE: 1984

| Sex and age | Number of home management activities that are difficult | | | | | |
|---|---|---|---|---|---|---|
| | Total | None | 1 | 2 | 3 | 4-6 |
| Both sexes | | | Percent | | | |
| 65 years and over | 100.0 | 73.1 | 14.3 | 4.3 | 2.4 | 6.0 |
| 65-74 years | 100.0 | 79.5 | 13.0 | 2.9 | 1.5 | 3.2 |
| 65-69 years | 100.0 | 81.9 | 11.5 | 2.5 | 1.3 | 2.8 |
| 70-74 years | 100.0 | 76.3 | 14.8 | 3.4 | 1.7 | 3.7 |
| 75-84 years | 100.0 | 67.0 | 16.6 | 5.8 | 3.2 | 7.5 |
| 75-79 years | 100.0 | 70.8 | 15.9 | 4.8 | 2.6 | 5.8 |
| 80-84 years | 100.0 | 60.0 | 17.9 | 7.5 | 4.1 | 10.6 |
| 85 years and over | 100.0 | 44.8 | 15.2 | 9.3 | 6.6 | 24.2 |
| Male | | | | | | |
| 65 years and over | 100.0 | 81.9 | 9.7 | 2.5 | 1.5 | 4.3 |
| 65-74 years | 100.0 | 85.8 | 8.6 | 1.9 | 1.1 | 2.7 |
| 65-69 years | 100.0 | 87.5 | 7.4 | 1.6 | 0.8 | 2.6 |
| 70-74 years | 100.0 | 83.5 | 10.1 | 2.1 | 1.4 | 2.8 |
| 75-84 years | 100.0 | 77.8 | 11.7 | 3.0 | 2.0 | 5.5 |
| 75-79 years | 100.0 | 80.8 | 10.3 | 2.2 | 1.9 | 4.7 |
| 80-84 years | 100.0 | 71.3 | 14.8 | 4.5 | 2.2 | 7.3 |
| 85 years and over | 100.0 | 56.8 | 12.5 | 8.1 | 4.9 | 17.8 |
| Female | | | | | | |
| 65 years and over | 100.0 | 67.0 | 17.4 | 5.4 | 3.0 | 7.2 |
| 65-74 years | 100.0 | 74.6 | 16.3 | 3.7 | 1.9 | 3.6 |
| 65-69 years | 100.0 | 77.4 | 14.9 | 3.1 | 1.8 | 2.9 |
| 70-74 years | 100.0 | 71.3 | 18.0 | 4.3 | 2.0 | 4.4 |
| 75-84 years | 100.0 | 60.3 | 19.6 | 7.5 | 3.9 | 8.7 |
| 75-79 years | 100.0 | 64.1 | 19.7 | 6.6 | 3.1 | 6.6 |
| 80-84 years | 100.0 | 54.2 | 19.4 | 9.1 | 5.1 | 12.2 |
| 85 years and over | 100.0 | 39.5 | 16.4 | 9.8 | 7.4 | 27.0 |

SOURCE: Dawson, Deborah, Gerry Hendershot, and John Fulton. "Aging in the Eighties: Functional Limitations of Individuals Age 65 Years and Over." *Advance Data* No. 133, National Center for Health Statistics (June 10, 1987).

NOTE: Figures may not add to 100.0 because of rounding.

Difficulty in performing various tasks of daily life may not necessarily mean that an individual is in need of health or social services. An alternative and perhaps more accurate measure of such need is the number of persons who receive help with personal care or home management activities. According to the 1984 Supplement on Aging, about 23 percent (6.0 million) of Americans 65 years and over who lived in the community reported difficulty in performing a personal care activity, but only ten percent (about 2.5 million) reported receiving help with one or more such activities. Similarly, about 27 percent (7.1 million) of noninstitutionalized elderly in the U.S. experienced any difficulty in home management tasks, while 22 percent (or approximately 5.9 million) received help with these activities.[17]

Another measure of activity limitation is the number of days a person is confined to bed. Again, we find differences in this health indicator within the 65 and over population. For those age 85 and over living in the community, 3.4 percent are always confined to bed. In contrast, only one percent of the 65 to 74 age group was similarly limited. Sixty-two percent of the total older population spent no days confined to bed in 1984 (table 4-4).

**Table 4-4**

**PERCENT OF THE 65-PLUS POPULATION IN THE COMMUNITY CONFINED TO BED: 1984**

| Bed days in year | Age | | | |
|---|---|---|---|---|
| | 65 to 74 | 74 to 84 | 85 plus | 65 plus |
| 0 | 63.5 | 61.3 | 55.8 | 62.2 |
| 1 to 6 days | 14.5 | 12.9 | 12.1 | 13.8 |
| 7 to 13 days | 6.7 | 7.4 | 8.7 | 7.1 |
| 14 to 27 days | 6.5 | 7.0 | 6.3 | 6.6 |
| 28 to 365 days | 7.8 | 9.9 | 13.9 | 8.9 |
| Always | 1.0 | 1.6 | 3.4 | 1.4 |

SOURCE: National Center for Health Statistics. Unpublished data from the National Health Interview Survey, Supplement on Aging, 1984.

# MORTALITY

## DEATH RATES FOR THE ELDERLY HAVE IMPROVED DRAMATICALLY IN THE LAST SEVERAL DECADES

The last several decades have seen tremendous improvement in life expectancy (see chapter 1). Significant declines in death rates have occurred in the older age groups, although the pace and timing of these declines have varied for individual age-sex-race groups within the older population (chart 4-4 and table 4-5). For example, declines in death rates for people 85 years or older have not been quite as dramatic as those for people 65-84 years of age. Likewise, the declines for older females are greater than those for older males; and the declines for older whites, regardless of gender, have been considerably larger than the declines for older blacks.

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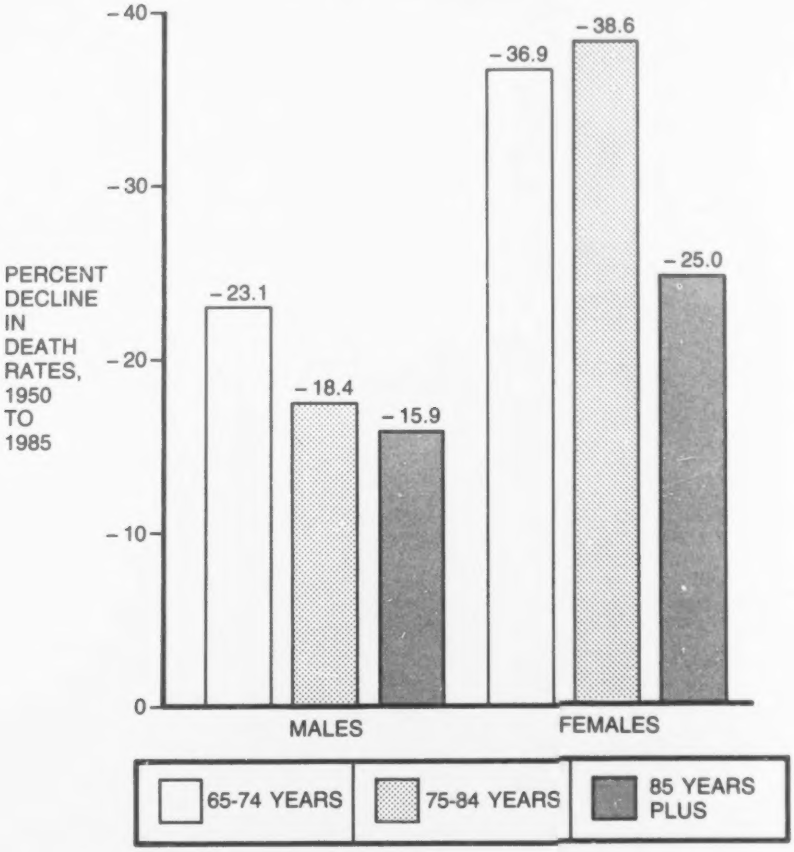
[17] Ibid.

Chart 4-4

PERCENT DECLINE IN DEATH RATES FOR OLDER PEOPLE BY AGE AND SEX: 1950-85



SOURCES: National Center for Health Statistics. "Annual Summary of Births, Marriages, Divorces, and Deaths: United States, 1985." *Monthly Vital Statistics* Vol. 34, No. 13 (September 1986).

National Center for Health Statistics. "Changes in Mortality Among the Elderly: United States, 1940-78, Supplement to 1980." *Vital and Health Statistics* Series 3, No. 22A (April 1984).

National Center for Health Statistics. *Health, United States, 1986*. DHHS Pub. No. (PHS)87-1232, Washington: Department of Health and Human Services, December 1986.

## Table 4-5

## DEATH RATES FOR OLDER PERSONS, BY AGE, SEX, AND RACE: SELECTED YEARS, 1950-85

## (rates are deaths per 1,000 resident population in specified group)

| Age, sex and race | 1950[1] | 1960[1] | 1970 | 1980 | 1985[2] | Percent change 1950-70 | Percent change 1970-85 | Percent change 1950-85 |
|---|---|---|---|---|---|---|---|---|
| All races, both sexes: | | | | | | | | |
| 65-74 . . . . . . . . . | 40.7 | 38.2 | 35.8 | 29.9 | 28.4 | -12.0 | -20.7 | -30.2 |
| 75-84 . . . . . . . . . | 93.3 | 87.5 | 80.0 | 66.9 | 64.1 | -14.3 | -19.9 | -31.3 |
| 85+ . . . . . . . . . . | 202.0 | 198.6 | 175.4 | 159.8 | 154.9 | -13.2 | -11.7 | -23.3 |
| All races, male: | | | | | | | | |
| 65-74 . . . . . . . . . | 49.3 | 49.1 | 48.7 | 41.1 | 37.9 | -1.2 | -22.2 | -23.1 |
| 75-84 . . . . . . . . . | 104.3 | 101.8 | 100.1 | 88.2 | 85.1 | -4.0 | -15.0 | -18.4 |
| 85+ . . . . . . . . . . | 216.4 | 211.9 | 197.7 | 188.0 | 182.1 | -8.6 | -7.9 | -15.9 |
| All races, female: | | | | | | | | |
| 65-74 . . . . . . . . . | 33.3 | 28.7 | 25.8 | 21.4 | 21.0 | -22.5 | -18.6 | -36.9 |
| 75-84 . . . . . . . . . | 84.0 | 76.3 | 66.8 | 54.4 | 51.6 | -20.5 | -22.8 | -38.6 |
| 85+ . . . . . . . . . . | 191.9 | 190.1 | 163.5 | 147.5 | 143.9 | -14.8 | -12.0 | -25.0 |
| White, male: | | | | | | | | |
| 65-74 . . . . . . . . . | 48.6 | 48.5 | 48.1 | 40.4 | 37.2 | -1.0 | -22.7 | -23.5 |
| 75-84 . . . . . . . . . | 105.3 | 103.0 | 101.0 | 88.3 | 85.2 | -4.1 | -15.6 | -19.1 |
| 85+ . . . . . . . . . . | 221.2 | 217.5 | 203.9 | 191.0 | 186.4 | -7.8 | -8.6 | -15.7 |
| White, female: | | | | | | | | |
| 65-74 . . . . . . . . . | 32.4 | 27.8 | 24.7 | 20.7 | 20.3 | -23.8 | -17.8 | -37.3 |
| 75-84 . . . . . . . . . | 84.8 | 77.0 | 67.0 | 54.0 | 51.3 | -21.0 | -23.4 | -39.5 |
| 85+ . . . . . . . . . . | 196.8 | 194.8 | 167.3 | 149.8 | 146.8 | -15.0 | -12.3 | -25.4 |
| Black, male: | | | | | | | | |
| 65-74 . . . . . . . . . | 53.1 | 58.0 | 58.0 | 51.3 | 48.5 | +9.2 | -16.4 | -8.7 |
| 75-84 . . . . . . . . . | 101.0[3] | 86.1 | 94.5 | 92.3 | 92.9 | +2.7[4] | -1.7 | +4.2[5] |
| 85+ . . . . . . . . . . | | 148.4 | 144.2 | 161.0 | 153.5 | | +6.4 | |
| Black, female: | | | | | | | | |
| 65-74 . . . . . . . . . | 40.0 | 40.6 | 38.6 | 30.6 | 29.1 | -3.5 | -24.6 | -27.2 |
| 75-84 . . . . . . . . . | 83.5[3] | 67.3 | 66.9 | 62.1 | 60.6 | -5.9[4] | -9.4 | -10.5[5] |
| 85+ . . . . . . . . . . | | 130.5 | 121.3 | 123.7 | 116.8 | | -3.7 | |

SOURCE: National Center for Health Statistics. "Annual Summary of Births, Marriages, Divorces, and Deaths: United States, 1984." *Monthly Vital Statistics Report* Vol. 33, No. 13 (September 1985).

National Center for Health Statistics. "Changes in Mortality Among the Elderly: United States, 1940-78, Supplement to 1980." *Vital and Health Statistics* Series 3, No. 22A (April 1984).

National Center for Health Statistics. *Health, United States, 1986*. DHHS Pub. No. (PHS) 87-1232, Washington: Department of Health and Human Services, December 1986.

[1] Includes deaths of nonresidents.

[2] Based on 10-percent sample of deaths.

[3] Figure is for persons 75 years or older.

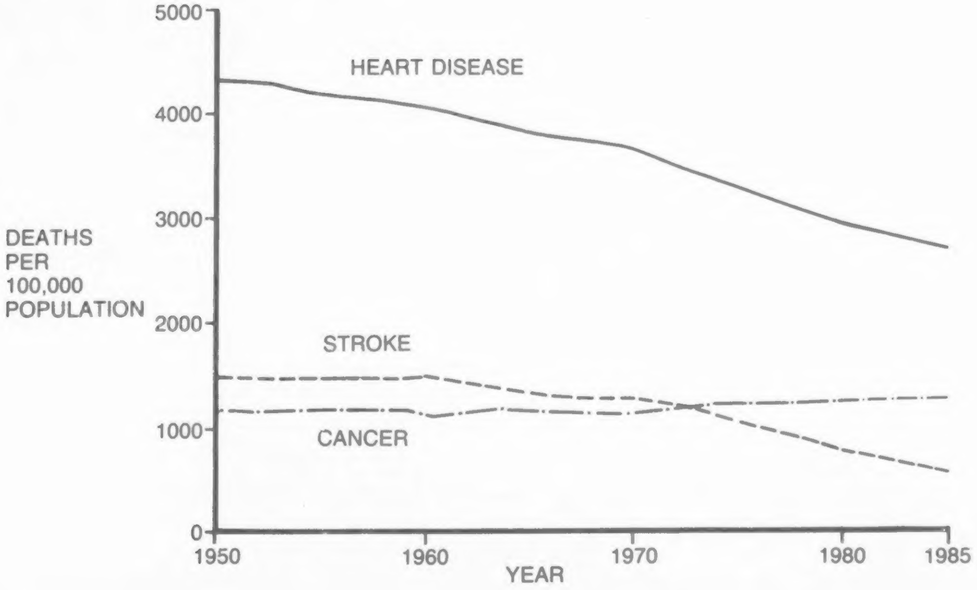
[4] Figure is for persons 75 years or older and is based on 1970 death rates of 103.7 and 78.6 for black males and females, respectively, age 75 years or older.

[5] Figure is for persons 75 years or older and is based on 1985 death rates of 105.2 and 74.7 for black males and females, respectively, age 75 years or older.

## HEART DISEASE, CANCER, AND STROKE ARE THE LEADING CAUSES OF DEATH FOR THE ELDERLY

In the United States, three out of four elderly persons die from heart disease, cancer, or stroke. Heart disease was the major cause of death in 1950, and remains so today even though there have been rapid declines in death rates from heart disease since 1968, especially among females. Death rates from cancer continue to rise in comparison to heart disease, especially deaths caused by lung cancer (chart 4-5). In 1985, however, heart disease accounted for 43 percent of all deaths among persons 75-84, while cancer accounted for 20 percent of all deaths in this age group.[18] Even if cancer were eliminated as a cause of death, the average life span would be extended by less than two years because of the prevalence of heart disease. Eliminating deaths due to heart disease, on the other hand, would add

**Chart 4-5**
**DEATH RATES FOR LEADING CAUSES OF DEATH FOR PEOPLE AGE 75-84: 1950-85**



SOURCE: National Center for Health Statistics. *Health, United States, 1986.* DHHS Pub. No. (PHS)87-1232, Washington: Department of Health and Human Services, December 1986.
National Center for Health Statistics. "Annual Summary of Births, Marriages, Divorces, and Deaths: United States, 1985." *Monthly Vital Statistics Report* Vol. 34, No. 13 (September 1986).

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[18] National Center for Health Statistics. "Annual Summary of Births, Marriages, Divorces, and Deaths: United States, 1985." *Monthly Vital Statistics Report* Vol. 34, No. 13 (September 1986).

an average of five years to life expectancy at age 65, and would lead to a sharp increase in the proportion of older persons in the total population.[19]

The third leading cause of death among the elderly—stroke (cerebrovascular disease)—has been decreasing over the past 30 years. Reasons for this dramatic decline are not fully understood. Part of the decline may be attributable to better control of hypertension. Better diagnosis and improved management and rehabilitation of stroke victims may also be related factors.[20] In 1985, cerebrovascular disease accounted for only nine percent of all deaths in the 75 to 84 age group.

Table 4-6 shows the ten leading causes of death for three sub-groups of the older population.

### Table 4-6
### DEATH RATES FOR TEN LEADING CAUSES OF DEATH AMONG OLDER PEOPLE, BY AGE: 1984
**(rates per 100,000 population in age group)**

| Cause of death | 65+ | 65-74 | 75-84 | 85+ |
|---|---|---|---|---|
| All causes | 5,102 | 2,848 | 6,399 | 15,224 |
| Diseases of the heart | 2,186 | 1,103 | 2,749 | 7,251 |
| Malignant neoplasms | 1,042 | 835 | 1,272 | 1,604 |
| Cerebrovascular diseases | 476 | 177 | 626 | 1,884 |
| Chronic obstructive pulmonary diseases | 199 | 141 | 270 | 331 |
| Pneumonia and influenza | 182 | 54 | 216 | 883 |
| Diabetes | 95 | 59 | 126 | 217 |
| Accidents | 87 | 50 | 107 | 257 |
| Atherosclerosis | 83 | 17 | 88 | 488 |
| Nephritis, nephrotic syndrome, nephrosis | 58 | 27 | 76 | 201 |
| Septicemia | 41 | 20 | 52 | 142 |
| All other causes | 654 | 365 | 816 | 1,965 |

SOURCE: National Center for Health Statistics. "Advance Report of Final Mortality Statistics, 1984." *Monthly Vital Statistics Report* Vol. 35, No. 6, Supplement (2) (September 1986).

The factors which have led to reductions in mortality may or may not also lead to overall improvements in health status. If Americans continue to live only to about age 85, control of life-threatening disease could produce a healthier older population. But, if the life-span is increased dramatically in future years beyond age 85, the onset of illness may only be delayed, without an actual shortening of the period of illness.

(NOTE: It should be noted that data for causes of death are based on information taken from death certificates and that, frequently, underlying causes are not listed but a secondary illness will be recorded.)

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[19] National Center for Health Statistics. "United States Life Tables Eliminating Certain Causes of Death." *U.S. Decennial Life Tables for 1979-1981* Vol. 1, No. 2 (forthcoming).

[20] National Center for Health Statistics. *Health, United States, 1985.* DHHS Pub. No. (PHS)86-1232, Washington: Department of Health and Human Services, December 1985.

# HEALTH SERVICES UTILIZATION

## THE ELDERLY ARE THE HEAVIEST USERS OF HEALTH SERVICES

With a greater prevalence of chronic conditions than in the population at large, older persons use medical personnel and facilities more frequently than younger persons. On the average, persons 65-plus visit a physician eight times a year compared to five visits by the general population. They are hospitalized approximately twice as often as the younger population, stay 50 percent longer and use twice as many prescription drugs.[21]

Health care utilization is greatest in the last year of life and among the oldest of the old. According to the recent work of Lawrence Branch at Harvard Medical School, those 85 and older have a three-fold greater risk of losing their independence, seven times the chance of entering a nursing home, and two-and-a-half times the risk of dying compared to persons 65 to 74 years of age.[22]

## HOSPITAL USE

The use of hospitals by older people, as measured by the number and rate of hospital discharges, rose steadily between 1965 and 1983. Both measures declined between 1983 and 1985—the number of discharges falling by seven percent and the discharge rate falling by 11 percent. The latter rate was still 66 percent higher than in 1965. By yet another measure—average length of stay—hospital use by the elderly is declining. This indicator fell from 14.2 days per stay in 1968 to 9.7 days in 1983, then dropped another full day, to 8.7 days, by 1985 (table 4-7 and chart 4-6).

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[21] National Center for Health Statistics. "Family Use of Health Care, United States, 1980." *National Medical Care Utilization and Expenditure Survey* Series B, Descriptive Report #10, DHHS Pub. No. 87-20210 (February 1987).

[22] Soldo, Beth and Kenneth Manton. "Dynamics of Health Changes in Oldest Old: New Perspectives and Evidence." *Milbank Memorial Fund Quarterly* Vol. 63, No. 2 (Spring 1985).

## Table 4-7

## TRENDS IN HOSPITAL USAGE BY PEOPLE 65 YEARS OR OLDER: 1965-85

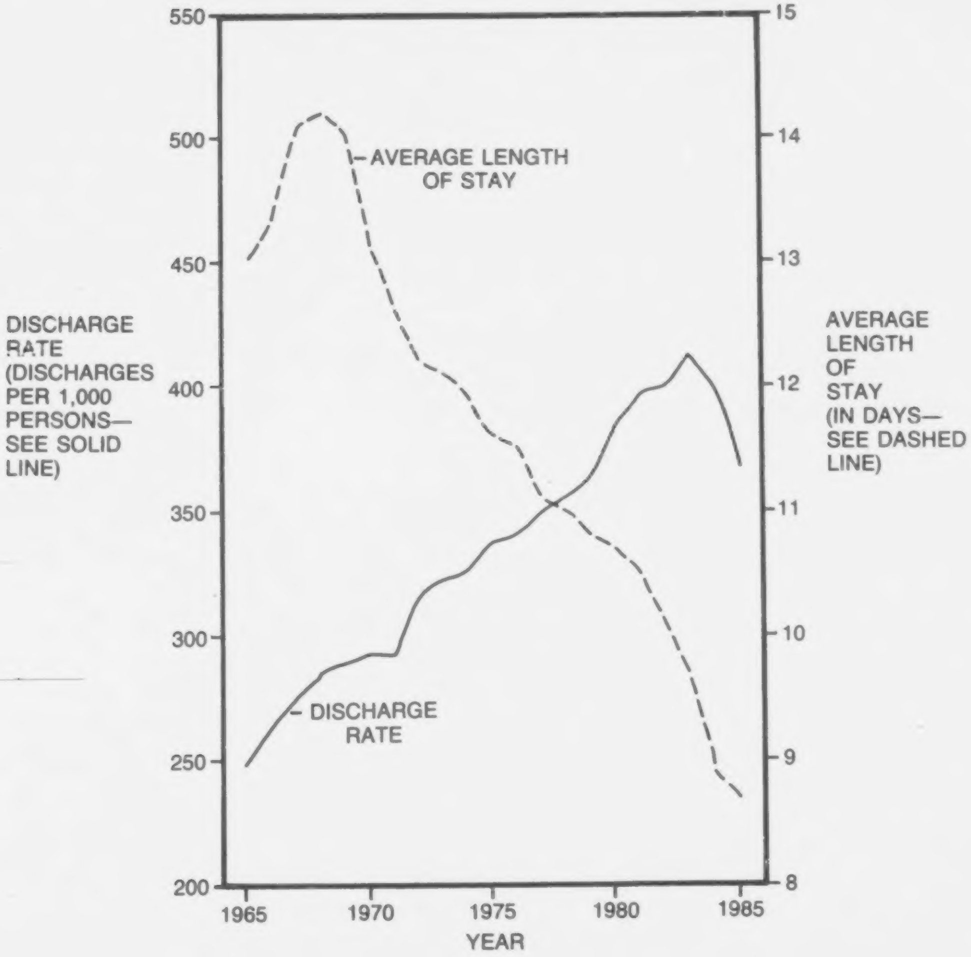
| Year | Number of discharges (in thousands) | Discharge rate (discharges per 1,000 persons) | Average length of stay per discharge (in days) |
|---|---|---|---|
| 1985 | 10,508 | 368.3 | 8.7 |
| 1984 | 11,226 | 400.4 | 8.9 |
| 1983 | 11,302 | 412.7 | 9.7 |
| 1982 | 10,697 | 398.8 | 10.1 |
| 1981 | 10,408 | 396.5 | 10.5 |
| 1980 | 9,864 | 383.7 | 10.7 |
| 1979 | 9,086 | 361.5 | 10.8 |
| 1978 | 8,708 | 355.4 | 11.0 |
| 1977 | 8,344 | 349.2 | 11.1 |
| 1976 | 7,912 | 339.9 | 11.5 |
| 1975 | 7,654 | 337.3 | 11.6 |
| 1974 | 7,185 | 325.7 | 11.9 |
| 1973 | 6,937 | 322.3 | 12.1 |
| 1972 | 6,634 | 315.6 | 12.2 |
| 1971 | 5,986 | 291.1 | 12.6 |
| 1970 | 5,883 | 293.3 | 13.1 |
| 1969 | 5,694 | 289.3 | 14.0 |
| 1968 | 5,520 | 285.0 | 14.2 |
| 1967 | 5,215 | 273.5 | 14.1 |
| 1966 | 4,911 | 261.8 | 13.4 |
| 1965 | 4,602 | 249.3 | 13.0 |

SOURCE: National Center for Health Statistics. Data from National Hospital Discharge Survey. *Vital and Health Statistics* Series 13, various reports.

NOTE: Data shown are for "short-stay community hospitals," a category including both prospective payment system (PPS) hospitals and hospitals not operating under PPS at the time of data collection. Average length of stay (ALOS) for PPS hospitals in 1985 was significantly lower than ALOS for the broader category, "short-stay community hospitals." The reimbursement structure under PPS encourages shorter lengths of stay.

## Chart 4-6

## TRENDS IN HOSPITAL USAGE BY PEOPLE 65 YEARS OR OLDER: 1965-85



SOURCE: National Center for Health Statistics. Data from the National Hospital Discharge Survey. *Vital and Health Statistics* Series 13, various reports.

In 1985, the hospital discharge rate (number of discharges per 1,000 population) for those 85 and over was 91 percent higher than that for people 65-74 years old. The average hospital stay for persons age 65 to 74 was 8.2 days in 1985 compared with 9.6 days for the 85-year-and-over group (table 4-8 and chart 4-7).

### Table 4-8
### UTILIZATION OF SHORT-STAY HOSPITALS FOR SELECTED AGE GROUPS: 1985

| Age group | Discharged patients | | | Days of care | | | |
|---|---|---|---|---|---|---|---|
| | Number in thousands | Percent distribution | Rate per thousand | Number in thousands | Percent distribution | Rate per thousand | Average length of stay |
| All ages | 35,056 | 100.0 | 147.9 | 226,217 | 100.0 | 954.4 | 6.5 |
| 45 to 64 | 7,610 | 21.7 | 169.5 | 53,541 | 23.7 | 1,192.8 | 7.0 |
| 65 to 74 | 5,011 | 14.3 | 294.9 | 41,090 | 18.2 | 2,417.8 | 8.2 |
| 75 to 84 | 3,969 | 11.3 | 449.8 | 36,024 | 15.9 | 4,082.5 | 9.1 |
| 85 plus | 1,528 | 4.4 | 563.6 | 14,612 | 6.5 | 5,389.8 | 9.6 |
| 65 plus | 10,508 | 30.0 | 368.3 | 91,726 | 40.5 | 3,215.1 | 8.7 |

SOURCE: National Center for Health Statistics. "Utilization of Short Stay Hospitals, United States, 1985, Annual Summary." *Vital and Health Statistics* Series 13, No. 91 (May 1987).

In 1985, persons over age 65, who represented 12 percent of the population, accounted for 30 percent of all hospital discharges and 41 percent of all short-stay hospital days of care. The population 75 and over, only five percent of the population, accounted for 16 percent of hospital discharges and 22 percent of all hospital days.[23]

Most hospital admissions of older people are for acute episodes of a chronic condition. The most common major category of principal or "first-listed" diagnosis for the 10.5 million discharges of elderly patients in 1985 was diseases of the circulatory system (31 percent), including heart disease (20 percent) (table 4-9). Digestive diseases (12 percent); respiratory diseases (11 percent), including pneumonia (4 percent); and neoplasms (10 percent) also accounted for substantial numbers of hospital stays. There were about four diagnoses for each discharge of an elderly patient compared to only 2.4 diagnoses per younger patient.

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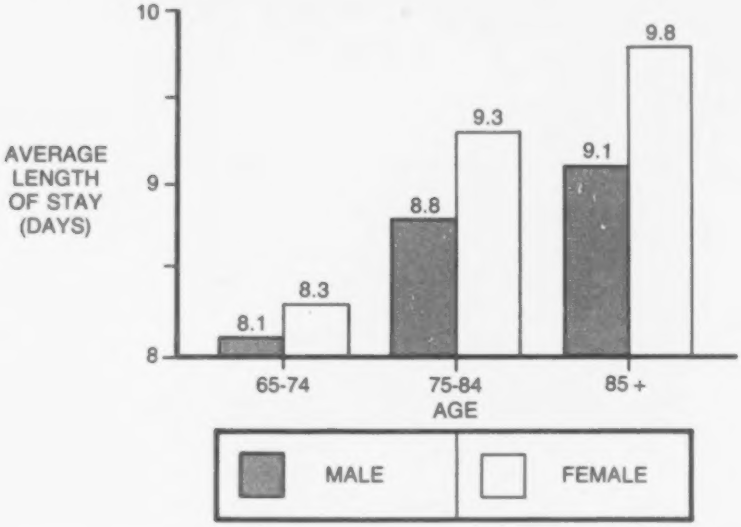
[23] National Center for Health Statistics. "Utilization of Short-Stay Hospitals, United States, 1985, Annual Summary." *Vital and Health Statistics* Series 13, No. 91 (May 1987).

## Chart 4-7

## DURATION OF STAY BY THE ELDERLY IN SHORT-STAY NON-FEDERAL HOSPITALS BY AGE: 1985



SOURCE: National Center for Health Statistics. "Utilization of Short-Stay Hospitals, United States, 1985, Annual Summary." *Vital and Health Statistics* Series 13, No. 91 (May 1987).

## Table 4-9

## HOSPITAL DISCHARGES OF PEOPLE 65 YEARS AND OLDER BY FIRST-LISTED AND ALL-LISTED DIAGNOSTIC CATEGORIES: 1985

### (rates expressed as discharges per 10,000 people 65 years and over)

| Major diagnostic category and selected sub-categories | First-listed diagnosis | | | All-listed diagnoses | |
|---|---|---|---|---|---|
| | Discharges | | Average length of stay (days) | Number of discharges (thousands) | Percent distribution |
| | Number (thousands) | Percent distribution | | | |
| All conditions | 10,508 | 100.0 | 8.7 | 40,672 | 100.0 |
| Infectious and parasitic diseases | 172 | 1.6 | 11.2 | 834 | 2.1 |
| Neoplasms | 1,094 | 10.4 | 9.4 | 2,349 | 5.8 |
| Malignant neoplasms | 991 | 9.4 | 9.7 | 2,083 | 5.1 |
| Endocrine, nutritional, and metabolic diseases, and immunity disorders | 448 | 4.3 | 8.6 | 3,291 | 8.1 |
| Diabetes Mellitus | 171 | 1.6 | 10.1 | 1,440 | 3.5 |
| Diseases of blood and blood-forming organs | 138 | 1.3 | 7.1 | 986 | 2.4 |
| Mental disorders | 240 | 2.3 | 13.8 | 1,206 | 3.0 |
| Diseases of nervous system and sense organs | 409 | 3.9 | 6.3 | 1,605 | 3.9 |
| Diseases of circulatory system | 3,224 | 30.7 | 8.6 | 13,034 | 32.0 |
| Heart disease | 2,111 | 20.1 | 7.9 | 8,425 | 20.7 |
| Cerebrovascular disease | 686 | 6.5 | 10.4 | 1,516 | 3.7 |
| Diseases of respiratory system | 1,121 | 10.7 | 8.7 | 3,303 | 8.1 |
| Pneumonia, all forms | 400 | 3.8 | 9.9 | 698 | 1.7 |
| Diseases of digestive system | 1,267 | 12.1 | 8.1 | 3,372 | 8.3 |
| Diseases of genitourinary system | 735 | 7.0 | 7.2 | 2,661 | 6.5 |
| Diseases of skin and subcutaneous tissue | 147 | 1.4 | 11.4 | 494 | 1.2 |
| Diseases of musculoskeletal system and connective tissue | 542 | 5.2 | 9.1 | 2,076 | 5.1 |
| Congenital anomalies | 17 | 0.2 | 8.0 | 91 | 0.2 |
| Symptoms, signs, and ill-defined conditions | 79 | 0.8 | 5.3 | 2,238 | 5.5 |
| Injury and poisoning | 793 | 7.5 | 10.3 | 1,598 | 3.9 |
| Fractures, all sites | 419 | 4.0 | 12.4 | 579 | 1.4 |
| Supplementary classifications | 82 | 0.8 | 5.7 | 1,532 | 3.8 |

SOURCE: National Center for Health Statistics. "Utilization of Short Stay Hospitals, United States, 1985, Annual Summary." *Vital and Health Statistics* Series 13, No. 91 (May 1987).

## PHYSICIAN SERVICES

Use of physician services increases with age. In 1986, persons aged 45 to 64 averaged 6.6 doctor contacts a year, while persons age 65 years and over averaged 9.1 contacts. The likelihood of seeing a doctor at least once during a given year increases slightly with age. Among those in the 65 to 74 age group, 82 percent reported seeing a doctor during the last year, compared to 87 percent of those age 75 or older (table 4-10). Since the enactment of Medicare, the average number of physician contacts and the percentage of persons 65 and over reporting that they had seen a physician in the last year have increased significantly, particularly for persons with low income.[24]

### Table 4-10
### NUMBER OF PHYSICIAN CONTACTS AND INTERVAL SINCE LAST PHYSICIAN CONTACT, BY AGE: 1986
### (excludes people in institutions)

| Age group | Contacts | | | Percent distribution of people by interval since last contact | | | |
|---|---|---|---|---|---|---|---|
| | Number (thousands) | Percent distribution | Average number per person, per year | Less than 1 year | 1 to less than 2 years | 2 to less than 5 years | 5 years or more |
| All ages . . | 1,272,191 | 100.0 | 5.4 | 76.0 | 10.1 | 10.0 | 3.9 |
| Under 25 . . . | 376,173 | 29.6 | 4.2 | 77.9 | 11.3 | 8.6 | 2.2 |
| 25 to 44 . . . . | 352,234 | 27.7 | 4.7 | 71.5 | 11.4 | 12.6 | 4.5 |
| 45 to 64 . . . . | 293,925 | 23.1 | 6.6 | 75.0 | 8.6 | 10.6 | 5.8 |
| 65 plus . . . . . | 249,858 | 19.6 | 9.1 | 84.1 | 5.1 | 6.1 | 4.7 |
| 65 to 74 . . . . | 137,737 | 10.8 | 8.1 | 82.2 | 5.5 | 7.1 | 5.2 |
| 75 plus . . . . . | 112,121 | 8.8 | 10.6 | 87.2 | 4.4 | 4.6 | 3.8 |

SOURCE: National Center for Health Statistics. "Current Estimates from the National Health Interview Survey, United States, 1986." *Vital and Health Statistics* Series 10, No. 164 (October 1987).

NOTE: Data include office visits, telephone consultations, hospital contacts (including emergency room and outpatient visits but excluding inpatient visits), and other modes of contact.

The aging of the population will create a greater demand for physician care. According to projections based on 1986 physician contact rates and projections of the noninstitutionalized elderly population, the demand for physician contacts will increase by 22 percent from 250 million to 305 million contacts by the year 2000 and by 125 percent (more than 562 million visits) by 2030.[25]

The disparity between the elderly and nonelderly populations in the use of physician services is not as great as the disparity for other forms of health care. In 1986, persons 65 and older, 11.7 percent of the noninstitutionalized population, accounted for 19.6 percent of physician contacts.

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[24] National Center for Health Statistics. Health Interview Survey. Unpublished tabulations, 1983.

[25] U.S. Administration on Aging. Unpublished projections.

## NURSING HOME STAYS

Only about five percent of the elderly population are in nursing homes at any given time, but many more will live in nursing homes during their lifetimes. The risk of institutionalization at age 65 is widely debated, with recent estimates ranging from 36 percent[26] to 65 percent.[27] Women are more likely than men of comparable ages to enter a nursing home. The lifetime risk of institutionalization for women at age 65 has been estimated at 52 percent and that for men at 30 percent.[28] In 1985, an estimated 1.3 million elderly persons lived in nursing homes during the year. An estimated one percent (212,100) of those age 65 to 74 were residents, compared to about six percent (509,000) of persons age 75 to 84, and about 22 percent (594,700) of persons age 85-plus.[29] The rate of nursing home use by the elderly has almost doubled since the introduction of Medicare and Medicaid in 1966, from 2.5 to five percent of the over-65 population.

Nursing home residents are disproportionately very old, female, and white. Nearly 84 percent of nursing home residents are without a spouse, as compared to 45 percent of the noninstitutionalized elderly. Also, only 63 percent of older nursing home residents have children, compared to 81 percent of older people in the community. Such statistics, along with those which show that nursing home residents tend to have health problems which significantly restrict their ability to care for themselves (table 4-11), suggest that the absence of a spouse or other family member who can provide informal support for health and maintenance requirements is the most critical factor in the institutionalization of an older person.

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[26] Liang, Jersey and Edward Jow-Ching Tu. "Estimating Lifetime Risk of Nursing Home Residency: A Further Note." *The Gerontologist* Vol. 26, No. 5 (October 1986).

[27] McConnel, Charles E. "A Note on the Lifetime Risk of Nursing Home Residence." *The Gerontologist* Vol. 24, No. 2 (April 1984).

[28] Cohen, Mark A., Eileen J. Tell, and Stanley S. Wallack. "The Lifetime Risks and Costs of Nursing Home Use Among the Elderly." *Medical Care* Vol. 24, No. 12 (December 1986).

[29] Hing, Esther. "Use of Nursing Homes by the Elderly: Preliminary Data from the 1985 National Nursing Home Survey." *Advance Data* No. 135, National Center for Health Statistics (May 14, 1987).

## Table 4-11

## SELECTED CHARACTERISTICS OF NURSING HOME AND COMMUNITY RESIDENTS 65 YEARS AND OLDER: 1985 AND 1984

| Subject | Living in nursing homes, 1985 | Living in community, 1984 |
|---|---|---|
| Total 65+: | | |
| Number (thousands) | 1,316 | 26,343 |
| Percent | 100.0 | 100.0 |
| Age: | | |
| 65 to 74 | 16.1 | 61.7 |
| 75 to 84 | 38.7 | 30.7 |
| 85+ | 45.2 | 7.6 |
| Sex: | | |
| Male | 25.4 | 40.8 |
| Female | 74.6 | 59.2 |
| Race: | | |
| White | 93.1 | 90.4 |
| Black | 6.2 | 8.3 |
| Other | 0.7 | 1.3 |
| Marital status[1] | | |
| Widowed | 64.2 | 34.1 |
| Married | 16.4 | 54.7 |
| Never married | 13.5 | 4.4 |
| Divorced or separated | 5.9 | 6.3 |
| With living children | 63.1 | 81.3 |
| Requires assistance in: | | |
| Bathing | 91.2 | 6.0 |
| Dressing | 77.7 | 4.3 |
| Using toilet room | 63.3 | 2.2 |
| Transferring[2] | 62.7 | 2.8 |
| Eating | 40.4 | 1.1 |
| Difficulty with bowel and/or bladder control | 54.5 | (NA)[3] |
| Disorientation or memory impairment | 62.6 | (NA) |
| Senile dementia or chronic organic brain syndrome | 47.0 | (NA) |

SOURCE: National Center for Health Statistics. Data from the National Health Interview Survey, Supplement on Aging, 1984, and the 1985 National Nursing Home Survey, *Advance Data* Nos. 115, 121, 133, and 135; and unpublished data.

[1] For nursing home residents, marital status at time of admission.

[2] Getting in or out of bed or chair.

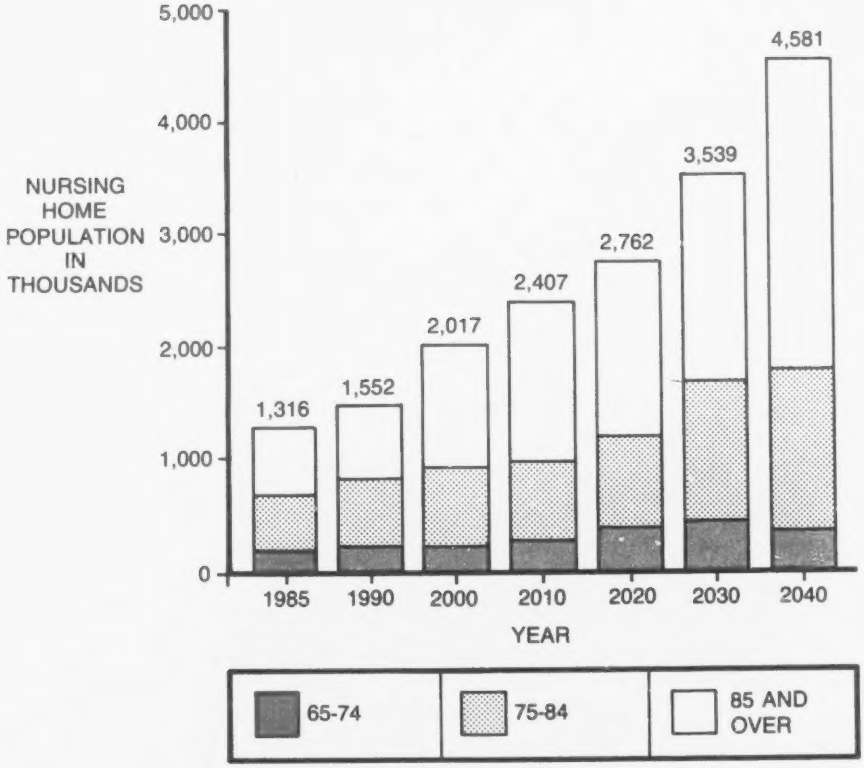
[3] Although comparable data are not available, the 1984 SOA (see source) found that six percent of the community-resident older population had difficulty with urinary control or had urinary catheters.

(NA) Not available.

It is likely that the nursing home population will continue to grow rapidly, primarily because of the growth in the size of the very old population. Current projections indicate that between 1985 and 2000, the nursing home population will increase from 1.3 to 2.0 million, and will more than double again to 4.6 million by 2040 (chart 4-8).

**Chart 4-8**

**PROJECTIONS OF THE NURSING HOME POPULATION 65 YEARS AND OLDER BY AGE GROUP: 1985-2040**



SOURCE: U.S. Administration on Aging. Unpublished projections based on nursing home utilization rates from the 1985 National Nursing Home Survey and population projections from the U.S. Bureau of the Census.

## COMMUNITY HEALTH SERVICES

### "INFORMAL SUPPORTS" PROVIDE THE MAJORITY OF COMMUNITY SERVICES TO THOSE ELDERLY WHO ARE DISABLED

Friends, spouses, and other relatives provide valuable "informal" unpaid assistance to elderly persons who have disabling health problems but live outside of institutions. Data from the Health Care Financing Administration's 1982 Long-Term Care Survey demonstrate that, for the disabled older population living in the community, relatives represented 84 percent of all caregivers for males and provided 89 percent of days of care; likewise, relatives represented 79 percent of caregivers and provided 84 percent of days of care for older disabled females (table 4-12). More wives than husbands provided care to disabled spouses, reflecting the fact that women outlive men by an average of seven years. More than one-third of all elderly disabled men living in the community in 1982 were cared for by their wives, while only one in ten elderly disabled women were cared for by their husbands.

### Table 4-12

### PERCENT DISTRIBUTION OF CAREGIVERS AND DAYS OF CARE FOR PEOPLE 65 AND OLDER WITH LIMITATIONS IN ACTIVITIES OF DAILY LIVING, BY RELATIONSHIP TO RECIPIENT: 1982

| Age and sex of recipient | Caregivers | | | | | Days of Care | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Relationship of caregiver to recipient | | | | | Relationship of caregiver to recipient | | | |
| | Total | Spouse | Child | Other relative | Formal | Total | Spouse | Child | Other relative | Formal |
| 65 plus: | | | | | | | | | | |
| Male | 100 | 37 | 24 | 23 | 16 | 100 | 53 | 19 | 18 | 11 |
| Female | 100 | 10 | 34 | 35 | 21 | 100 | 17 | 37 | 30 | 16 |
| 65 to 74: | | | | | | | | | | |
| Male | 100 | 45 | 21 | 21 | 13 | 100 | 61 | 15 | 15 | 9 |
| Female | 100 | 18 | 29 | 33 | 20 | 100 | 31 | 27 | 28 | 14 |
| 75 to 84: | | | | | | | | | | |
| Male | 100 | 35 | 23 | 25 | 17 | 100 | 53 | 18 | 18 | 11 |
| Female | 100 | 8 | 35 | 36 | 21 | 100 | 14 | 38 | 32 | 15 |
| 85 plus: | | | | | | | | | | |
| Male | 100 | 20 | 34 | 27 | 19 | 100 | 31 | 31 | 22 | 16 |
| Female | 100 | 2 | 39 | 36 | 23 | 100 | 3 | 47 | 30 | 19 |

NOTE: Formal caregivers typically receive payment for services compared with informal caregivers (usually relatives) who are not compensated.

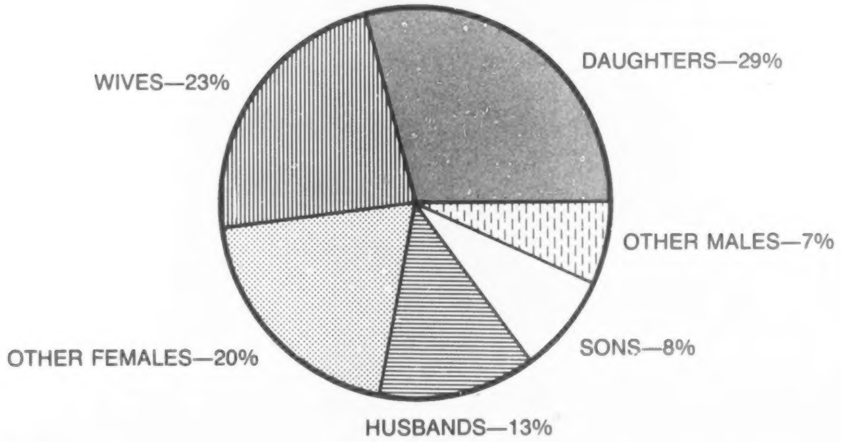
SOURCE: Manton, Kenneth and Korbin Liu. "The Future Growth of the Long-Term Population: Projections Based on the 1977 National Nursing Home Population and the 1982 Long-Term Care Survey." Paper prepared for the Third National Leadership Conference on Long-Term Care Issues: Washington, D.C., March 7-9, 1984.

Children of aging parents provided care to about one-quarter of elderly disabled males in 1982, and to slightly more than a third of elderly women. Other relatives such as siblings or nieces were also giving substantial care to elderly disabled family members, representing 23 percent of all community caregivers for men and 35 percent for women. With increasing age, the support given by spouses decreases as other family members and "formal" caregivers compensate for the loss.

Analyses of the 1982 data on informal caregivers show that approximately 2.2 million caregivers age 14 and older were providing unpaid assistance to 1.6 million noninstitutionalized elderly disabled persons.[30] Seven out of ten caregivers (72 percent) were women (29 percent were daughters and 23 percent were wives) (chart 4-9). The average age of the caregiver population was 57, and about one in three caregivers (36 percent) was 65 or older. Husbands constituted the oldest caregiver group, with 42 percent age 75 or older. Almost three-quarters (74 percent) of the caregivers lived with the care recipients. While a majority of caregivers (57 percent) in the survey reported adjusted family incomes in the low-to-middle range (1.25 to 4.0 times the poverty level), nearly one-third (32 percent) had 1982 incomes falling within the poor or near-poor category.

**Chart 4-9**

**DISTRIBUTION OF INFORMAL CAREGIVERS BY RELATIONSHIP TO ELDERLY CARE RECIPIENT: 1982**



SOURCE: Select Committee on Aging, U.S. House of Representatives. *Exploding the Myth: Caregiving in America*, January 1987.

NOTE: Caregiver population includes primary and secondary caregivers.

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[30] Stone, Robyn, Gail Cafferata, and Judith Sangl. "Caregivers of the Frail Elderly: A National Profile." Paper available from the Division of Intramural Research, National Center for Health Services Research, Rockville, MD.

Informal caregivers provide much more than occasional assistance. About 64 percent of the caregivers interviewed in 1982 reported that they had provided care for at least one year, and 80 percent were involved in caregiving activities seven days a week. On average, caregivers spent four hours per day in such activities. Four of every five performed household chores and provided assistance with shopping and transportation. Two-thirds provided assistance with such activities as feeding, bathing, dressing, and toileting. About half assisted with personal mobility, taking medicine, and handling personal finances. Of the more than one million caregivers with jobs, about one-fifth (21 percent) had worked fewer hours to accommodate their caregiving responsibilities, a similar proportion (19 percent) had taken time off without pay, and more than one-fourth (29 percent) had rearranged their work schedules. About nine percent of the 2.2 million caregivers had quit their jobs to become caregivers.[31]

## OTHER HEALTH SERVICES

Use of health care other than hospital, nursing home, or physician services varies by service. For example, elderly persons visit dentists less often than the younger population. In 1986, only 43 percent of the 65 and older population had seen a dentist in the last year compared to 59 percent of the population of all ages.[32] However, for prescription drugs, vision aids, and medical equipment and supplies, the older population had higher rates of usage than the younger population[33]. For example, 15 percent of the noninstitutionalized elderly in 1980 were classified as "high" users of prescription medicine (25 or more prescriptions filled or refilled in the previous 12 months), compared to only two percent of the under-65 population.[34] Furthermore, 93 percent of older people had corrective lenses (eyeglasses or contact lenses) in 1979-80 and 41 percent had one or more eye-care visits in 1979. Comparable figures for the under-65 population were 46 and 24 percent, respectively.[35]

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[31] Ibid.

[32] National Center for Health Statistics. "Current Estimates from the National Health Interview Survey, United States, 1986." *Vital and Health Statistics* Series 10, No. 164 (October 1987).

[33] Waldo, Daniel and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-84." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

[34] National Center for Health Statistics. "High-Volume and Low-Volume Users of Health Services, United States, 1980." *National Medical Care Utilization and Expenditure Survey* Series C, Analytical Report No. 2, DHHS Pub. No. 86-20402 (November 1985).

[35] National Center for Health Statistics. "Eye Care Visits and Use of Eyeglasses or Contact Lenses, United States, 1979 and 1980." *National Health Interview Survey* Series 10, No. 145, DHHS Pub. No. (PHS)84-1573 (February 1984).

In 1985, 1.6 million Medicare beneficiaries received 39 million home health visits. While more Medicare beneficiaries used Medicare-reimbursed home health services in 1985 than in 1984, the total number of visits received declined over those years. Use of home health services varies by age. Sixteen out of every 1,000 Medicare enrollees 65-66 years of age received Medicare-reimbursed home health care in 1985, compared with 118 out of every 1,000 enrollees 85 years and older.[36]

Medicare outlays for home health services increased rapidly between 1974 and 1983; but since then, the annual growth rate has moderated sharply. Furthermore, between FY 1985 and FY 1986, the number of home health care claims filed dropped five percent while the number of claims denied increased 73 percent. (During FY 1986, six percent of all home health care claims were denied.)[37]

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[36] Callahan, Wayne. "Medicare Use of Home Health Services." *Health Care Financing Review* Vol. 7, No. 2 (Winter 1985) and unpublished data.

[37] Health Care Financing Administration. "Intermediary Workload Reports: FY 1986."

# HEALTH CARE EXPENDITURES

## PERSONS 65 AND OLDER ACCOUNT FOR ALMOST ONE-THIRD OF ALL PERSONAL HEALTH CARE EXPENDITURES

Persons 65 and over, 12 percent of the population, account for one-third of the country's total personal health care expenditures (total health care from all sources exclusive of research). Per capita spending for health care for the elderly reached $4,200 in 1984, representing a 13-percent average annual growth rate from 1977. Of this total, the elderly paid one-third through direct payments to providers or indirectly through premiums for insurance. Total personal health care expenditures for the elderly were $120 billion in 1984 (tables 4-13A to 4-13D).

### Table 4-13A

### PERCENT DISTRIBUTION OF PERSONAL HEALTH CARE EXPENDITURES BY SOURCE OF FUNDS FOR PEOPLE 65 YEARS OF AGE OR OVER, BY TYPE OF SERVICE: 1984

| Source of funds | Type of service | | | | |
|---|---|---|---|---|---|
| | Total care | Hospital | Physician | Nursing home | Other care |
| Total per capita | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Private | 32.8 | 11.4 | 39.7 | 51.9 | 65.3 |
| Consumer | 32.4 | 11.0 | 39.6 | 51.2 | 64.8 |
| Out-of-pocket[1] | 25.2 | 3.1 | 26.1 | 50.1 | 59.9 |
| Insurance | 7.2 | 7.9 | 13.5 | 1.1 | 4.9 |
| Other private | 0.4 | 0.4 | .0 | 0.7 | 0.5 |
| Government | 67.2 | 88.6 | 60.3 | 48.1 | 34.7 |
| Medicare | 48.8 | 74.8 | 57.8 | 2.1 | 19.9 |
| Medicaid | 12.8 | 4.8 | 1.9 | 41.5 | 11.4 |
| Other government | 5.6 | 9.1 | 0.7 | 4.4 | 3.4 |

SOURCE: Waldo, Daniel and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

[1] Out-of-pocket funds exclude premium payments for Medicare Part B and private health insurance

## Table 4-13B

## PERCENT DISTRIBUTION OF PER CAPITA PERSONAL HEALTH CARE EXPENDITURES BY TYPE OF SERVICE FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS: 1984

| Source of funds | Total per capita | Type of service (percentages) | | | | |
|---|---|---|---|---|---|---|
| | | Total | Hospital | Physician | Nursing home | Other care |
| Total per capita | $4,202 | 100.0 | 45.2 | 20.7 | 20.9 | 13.2 |
| Private | 1,379 | 100.0 | 15.7 | 25.0 | 33.1 | 26.2 |
| Consumer | 1,363 | 100.0 | 15.3 | 25.3 | 33.1 | 26.3 |
| Out-of-pocket[1] | 1,059 | 100.0 | 5.6 | 21.4 | 41.6 | 31.3 |
| Insurance | 304 | 100.0 | 49.2 | 38.6 | 3.3 | 8.9 |
| Other private | 16 | 100.0 | 42.1 | 1.9 | 39.1 | 17.0 |
| Government | 2,823 | 100.0 | 59.7 | 18.6 | 15.0 | 6.8 |
| Medicare | 2,051 | 100.0 | 69.2 | 24.5 | 0.9 | 5.4 |
| Medicaid | 536 | 100.0 | 17.0 | 3.1 | 68.1 | 11.8 |
| Other government | 236 | 100.0 | 73.2 | 2.4 | 16.5 | 7.9 |

SOURCE: Waldo, Daniel and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

[1] Out-of-pocket funds exclude premium payments for Medicare Part B and private health insurance.

## Table 4-13C

## AGGREGATE PERSONAL HEALTH CARE EXPENDITURES IN MILLIONS FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE OF FUNDS AND TYPE OF SERVICE: 1984

### (in millions of dollars)

| Source of funds | Type of service | | | | |
|---|---|---|---|---|---|
| | Total care | Hospital | Physician | Nursing home | Other care |
| Total | $119,872 | $54,200 | $24,770 | $25,105 | $15,798 |
| Private | 39,341 | 6,160 | 9,827 | 13,038 | 10,316 |
| Consumer | 38,875 | 5,964 | 9,818 | 12,856 | 10,237 |
| Out-of-pocket[1] | 30,198 | 1,694 | 6,468 | 12,569 | 9,467 |
| Insurance | 8,677 | 4,270 | 3,350 | 287 | 770 |
| Other private | 466 | 196 | 9 | 182 | 79 |
| Government | 80,531 | 48,040 | 14,943 | 12,067 | 5,482 |
| Medicare | 58,519 | 40,524 | 14,314 | 539 | 3,142 |
| Medicaid | 15,288 | 2,595 | 467 | 10,418 | 1,808 |
| Other government | 6,724 | 4,920 | 162 | 1,110 | 532 |

SOURCE: Waldo, Daniel and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

[1] Out-of-pocket funds exclude premium payments for Medicare Part B and private health insurance.

### Table 4-13D

### PER CAPITA PERSONAL HEALTH CARE EXPENDITURES FOR PEOPLE 65 YEARS OF AGE OR OVER, BY SOURCE AND TYPE OF SERVICE: 1984

| Source of funds | Type of service | | | | |
|---|---|---|---|---|---|
| | Total care | Hospital | Physician | Nursing home | Other care |
| Total per capita | $4,202 | $1,900 | $868 | $880 | $554 |
| Private | 1,379 | 216 | 344 | 457 | 362 |
| Consumer | 1,363 | 209 | 344 | 451 | 359 |
| Out-of-pocket[1] | 1,059 | 59 | 227 | 441 | 332 |
| Insurance | 304 | 150 | 117 | 10 | 27 |
| Other private | 16 | 7 | 1 | 6 | 3 |
| Government | 2,823 | 1,684 | 524 | 423 | 192 |
| Medicare | 2,051 | 1,420 | 502 | 19 | 110 |
| Medicaid | 536 | 91 | 16 | 365 | 63 |
| Other government | 236 | 172 | 6 | 39 | 19 |

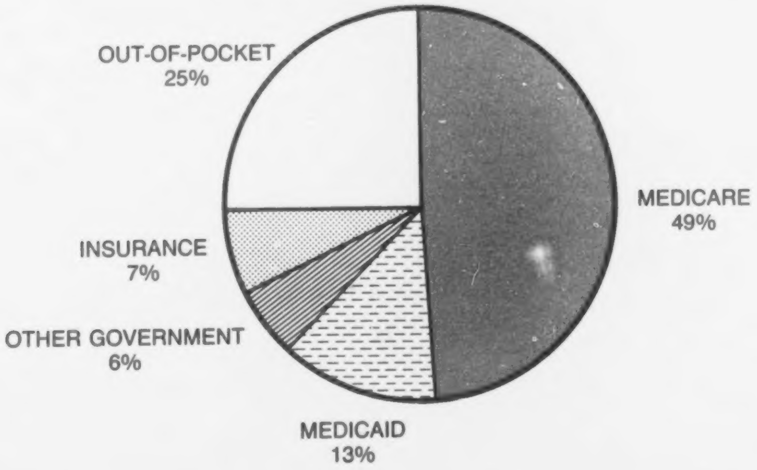
SOURCE: Waldo, Daniel and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

[1] Out-of-pocket funds exclude premium payments for Medicare Part B and private health insurance.

Private sources such as employer-paid insurance are the major source of health care payments for persons under age 65. However, public funds are the major source for 65-plus persons (chart 4-10).

### Chart 4-10

### PERSONAL HEALTH CARE EXPENDITURES FOR THE ELDERLY BY SOURCE OF PAYMENT: 1984



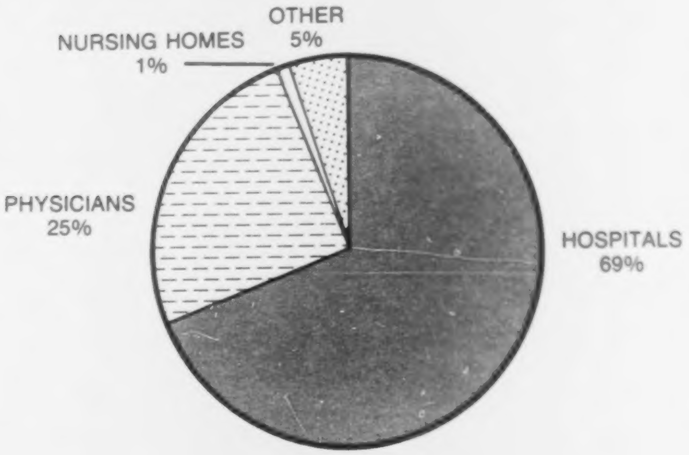
SOURCE: Waldo, Daniel R. and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

## MEDICARE

In 1984, Medicare covered 49 percent of all personal health care expenditures for the elderly.[38] Medicare's role primarily involves financing acute care services. Costs for hospitals, which account for over 69 percent of all the dollars Medicare spends for health care, are fueling Medicare's growth (chart 4-11). Seventy-five percent of the cost of hospital services and 58 percent of the cost of physicians' services were paid by the program in 1984. Medicare spending for home health care has grown dramatically over the past two decades—from $60 million in fiscal year 1968 to $2.3 billion in 1985 (3.3 percent of benefit payments).

Chart 4-11

WHERE THE MEDICARE DOLLAR FOR THE ELDERLY GOES: 1984



SOURCE: Waldo, Daniel R. and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

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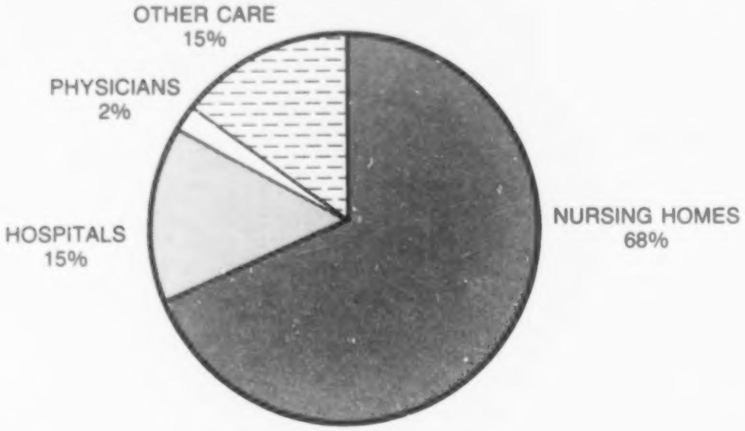
[38] Waldo, Daniel R. and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-84." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

## MEDICAID

Medicaid (a federal-state program) pays about 13 percent of the personal health care expenditures for the elderly. Most of these payments are for the small portion of the population that uses long-term care (chart 4-12). In fact, Medicaid is the principal source of public financing for nursing home care. It paid for 42 percent of all nursing home expenditures in 1985. Consumers paid for another 51 percent through direct patient payments.[39]

**Chart 4-12**

**WHERE THE MEDICAID DOLLAR FOR THE ELDERLY GOES: 1986**



SOURCE: Health Care Financing Administration, Office of the Actuary. Unpublished data, July 1987.

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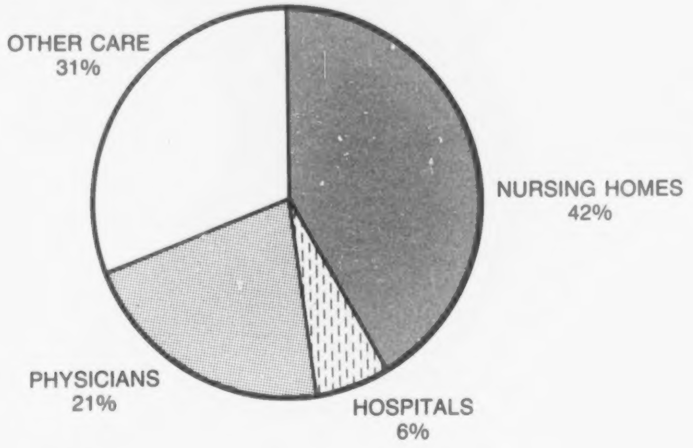
[39] Waldo, Daniel R., Katharine R. Levit, and Helen Lazenby. "National Health Expenditures, 1985." *Health Care Financing Review* Vol. 8, No. 1 (Fall 1986).

## OUT-OF-POCKET COSTS

Even with the substantial contribution of public funds, the elderly bear considerable financial burden for health care out of their own pockets. Direct out-of-pocket health costs for the elderly averaged 15 percent of their income in 1984—the same as before Medicare and Medicaid were enacted. Direct out-of-pocket health care expenses for the elderly averaged $1,059 per person in 1984. This excludes premium payments for Medicare Part B and private health insurance. The majority of these expenses are for nursing home care, physician visits and services, and health aids not covered by Medicare, Medicaid, or private insurance (chart 4-13).

**Chart 4-13**

**WHERE THE OUT-OF-POCKET HEALTH CARE DOLLAR FOR THE ELDERLY GOES: 1984**

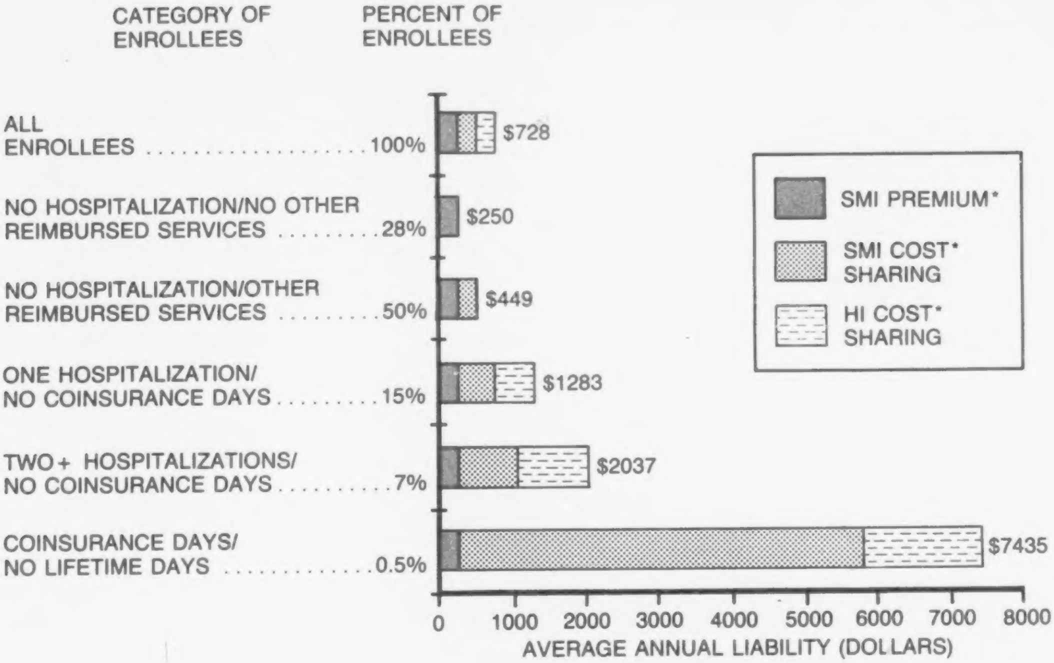


SOURCE: Waldo, Daniel R. and Helen C. Lazenby. "Demographic Characteristics and Health Care Use and Expenditures by the Aged in the United States: 1977-1984." *Health Care Financing Review* Vol. 6, No. 1 (Fall 1984).

A recent report prepared by the Congressional Budget Office described the average liability of the Medicare population for 1987. For those who require two or more hospitalizations (seven percent of enrollees), out-of-pocket payments (through Medicare coinsurance deductibles and Medicare Part B premiums) will total an estimated $2,037. Enrollees will pay on average $728 to participate in the Medicare program in 1987 (chart 4-14).

**Chart 4-14**

**AVERAGE LIABILITIES OF MEDICARE ENROLLEES FOR PREMIUMS AND COST SHARING: 1987**



SOURCE: Congressional Budget Office. Estimates based on the 1981 Medicare History File.

*SMI is supplementary medical insurance or Medicare Part B. HI is hospital insurance or Medicare Part A. Cost sharing refers to co-insurance and deductibles required of the beneficiary for use of Medicare-covered services.

In addition to Medicare's deductible and coinsurance requirements for Medicare-covered services, beneficiaries also face significant out-of-pocket costs for many non-covered services and products. Most burdensome among these are out-patient prescription drugs, charges by physicians that exceed Medicare's allowable rates, and nursing home care.

Estimates of out-of-pocket expenditures for out-patient prescription drugs are about $300 per enrollee in 1988.[40] These amounts represent a three-fold increase over the 1980 level of out-of-pocket expenditures for drugs. Such increases are largely the result of a dramatic rise in the price of prescription drugs since 1981. Between 1981 and 1985, prescription drug prices rose by 56 percent, while the overall CPI increased by only 23 percent; the rate of increase in 1986 alone was four times that of general inflation.

Another major source of out-of-pocket liability for older Americans derives from Medicare's assignment rules. Beneficiaries whose doctors do not accept Medicare assignment are additionally responsible for the amount their doctor charges above the Medicare-approved rate. In 1986, 68 percent of all Medicare Part B claims submitted to Medicare were assigned, as compared with a 51.5 percent assignment rate in 1980. Over the same period, beneficiary liability costs for this category of expenditure almost doubled, from $1.45 billion to $2.8 billion.[41]

Of course, the single greatest source of out-of-pocket liability for older Americans derives from long-term care. Nursing home stays account for 80 percent of the expenses incurred by elderly persons who experience very high out-of-pocket costs for health care, i.e., over $2,000 per year. For beneficiaries with relatively small out-of-pocket outlays for medical care (i.e., less than $500 per year), 80 percent of their out-of-pocket payments stem from out-patient prescription drug costs and physician charges.[42]

There are two major protections from the high out-of-pocket costs of medical care: Medicare supplemental (or "Medigap") insurance and Medicaid. In 1984, Medigap and Medicaid combined protected 20 million—or 80 percent—of the noninstitutionalized elderly from potential risks of acute catastrophic illness. As chart 4-15 shows, 18 million—or 72 percent—of the elderly were covered by some form of private supplementary insurance. The likelihood of an older person having private insurance rises with family income. While 44 percent of those with incomes greater than $5,000 had private supplemental insurance, 87 percent of those with incomes greater than $25,000 were covered. Annual Medigap premiums averaged roughly $300 to $400 per person in 1984.[43]

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[40] Congressional Budget Office Memorandum, Sandra Christensen, July 30, 1987, and Health Care Financing Administration, Office of the Actuary, June 1987.

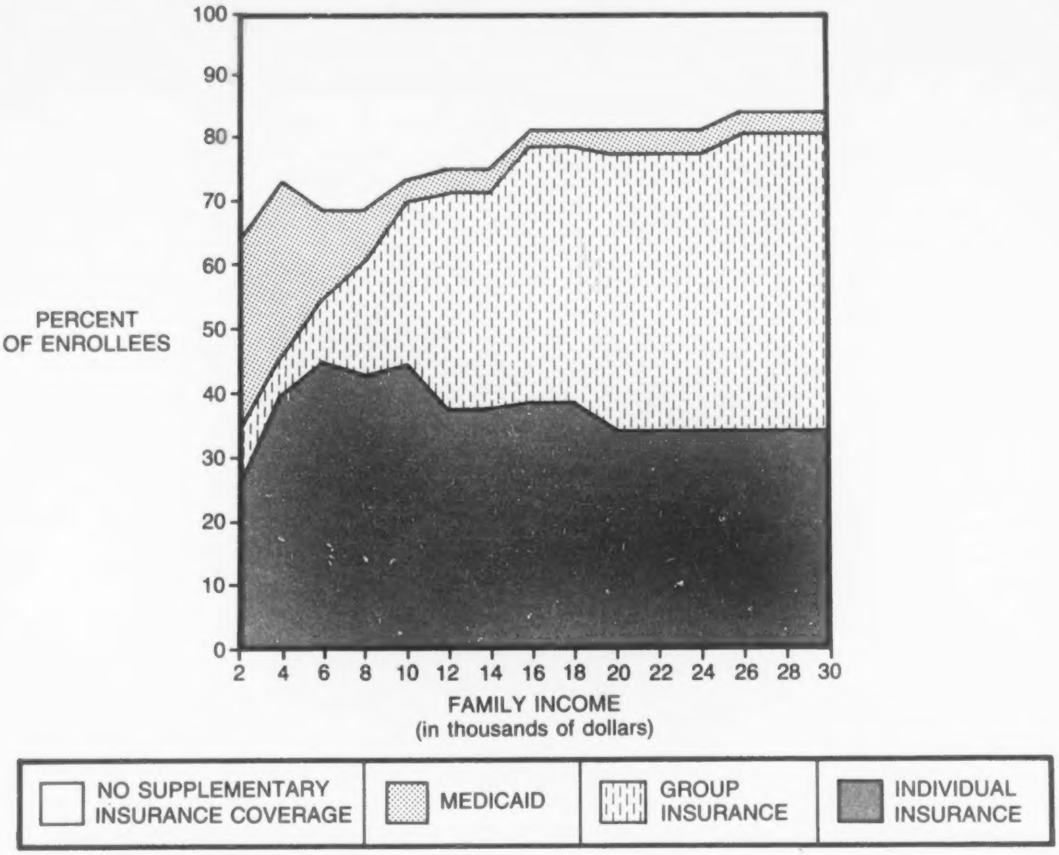
[41] Health Care Financing Administration. Unpublished data, 1986.

[42] Rice, Thomas and Jon Gabel. "Protecting the Elderly Against High Health Care Costs." *Health Affairs* No. 5 (1986).

[43] Congressional Budget Office. Testimony before the Committee on Energy and Commerce, U.S. House of Representatives, March 1986.

**Chart 4-15**

**SUPPLEMENTARY INSURANCE COVERAGE BY ELDERLY MEDICARE ENROLLEES: 1984**



SOURCE: Congressional Budget Office. Tabulations of 1984 Survey of Income and Program Participation (SIPP).

NOTE: People covered under both a group and an individual plan are likely to have been classified above as covered by group insurance.

## OTHER FUNDING SOURCES

The costs of health care for the elderly not met by Medicare, Medicaid, and out-of-pocket expenditures are funded by private insurance, foundations, and other government sources such as the Veterans Administration, Department of Defense, Indian Health Service, states, and counties.

# Chapter 5.
# Social Characteristics

# Social Characteristics

Marital status and living arrangements of older persons (65 years and over) vary tremendously by sex. Most men, for instance, spend their elderly years married and in family settings, whereas most older women spend their later years as widows outside of family settings.

The housing situation of older persons also varies significantly—with large differences by marital status and living arrangements. A surprising proportion of older persons bear the burden of high housing expenses in relation to income. Inadequate housing and the lack of telephones are also problems for a small but significant number of older persons.

The following section describes these and other social characteristics of the older population, such as educational level, voter participation, and the use of community services.

## MARITAL STATUS AND LIVING ARRANGEMENTS

### MOST OLDER MEN ARE MARRIED, BUT MOST OLDER WOMEN ARE WIDOWED

While most older men remain married until they die, most older women are widowed. There are several reasons for this discrepancy. Men have a shorter average life expectancy and thus tend to predecease their wives. In addition, men tend to marry women who are younger than themselves. Finally, men who lose a spouse through divorce or death are more likely to remarry than are women in the same situation.[1] Elderly widowed men have remarriage rates over eight times higher than those of women.[2]

In 1986, three-fourths of all older men were married and living with their spouses (table 5-1). Only 38 percent of older women were living with their spouses and 51 percent were widowed. This difference was more pronounced among people 75 years or older. Two-thirds (68 percent) of men in this age group were living with a spouse compared to less than one-fourth (23 percent) of women. Only one of every 20 older men and women in 1986 had never been married.

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[1] U.S. Bureau of the Census. "Demographic and Socioeconomic Aspects of Aging in the United States." Current *Population Reports Series* P-23, No. 138 (August 1984).

[2] National Center for Health Statistics. "Advance Report on Final Marriage Statistics, 1984." *Monthly Vital Statistics Report* Vol. 36, No. 2, Supplement (2) (June 1987).

## Table 5-1
## MARITAL STATUS OF OLDER PEOPLE, BY AGE, SEX, RACE, AND HISPANIC ORIGIN: MARCH 1986
## (excludes people in institutions)

| | 65+ | | 65-74 | | 75+ | |
|---|---|---|---|---|---|---|
| Marital status | Male | Female | Male | Female | Male | Female |
| ALL RACES | | | | | | |
| Total (thousands) | 11,272 | 16,049 | 7,440 | 9,439 | 3,832 | 6,610 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Never married | 5.1 | 5.2 | 5.2 | 4.4 | 5.0 | 6.3 |
| Married, spouse present | 75.3 | 38.3 | 79.2 | 49.2 | 67.9 | 22.8 |
| Married, spouse absent | 1.9 | 1.7 | 1.9 | 2.1 | 1.9 | 1.1 |
| Widowed | 13.7 | 50.5 | 9.1 | 38.8 | 22.5 | 67.0 |
| Divorced | 4.0 | 4.4 | 4.6 | 5.5 | 2.7 | 2.7 |
| WHITE | | | | | | |
| Total (thousands) | 10,162 | 14,468 | 6,704 | 8,453 | 3,458 | 6,015 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Never married | 5.1 | 5.2 | 5.2 | 4.3 | 4.8 | 6.6 |
| Married, spouse present | 76.7 | 39.5 | 80.4 | 51.0 | 69.5 | 23.4 |
| Married, spouse absent | 1.4 | 1.3 | 1.3 | 1.5 | 1.6 | 1.0 |
| Widowed | 13.0 | 49.9 | 8.5 | 38.0 | 21.5 | 66.6 |
| Divorced | 3.8 | 4.1 | 4.5 | 5.2 | 2.5 | 2.4 |
| BLACK | | | | | | |
| Total (thousands) | 908 | 1,365 | 608 | 837 | 300 | 528 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Never married | 5.8 | 4.9 | 5.8 | 5.5 | 6.0 | 4.0 |
| Married, spouse present | 59.9 | 25.8 | 64.0 | 31.5 | 51.7 | 16.7 |
| Married, spouse absent | 6.8 | 5.6 | 8.2 | 7.5 | 4.0 | 2.5 |
| Widowed | 22.0 | 56.0 | 16.6 | 46.4 | 33.0 | 71.2 |
| Divorced | 5.6 | 7.7 | 5.4 | 9.1 | 6.0 | 5.5 |
| HISPANIC ORIGIN[1] | | | | | | |
| Total (thousands) | 389 | 526 | 253 | 328 | 136 | 198 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Never married | 6.2 | 6.1 | 6.7 | 6.1 | 5.1 | 6.1 |
| Married, spouse present | 63.2 | 30.8 | 66.0 | 37.8 | 58.1 | 19.2 |
| Married, spouse absent | 8.2 | 4.6 | 10.7 | 4.9 | 3.7 | 4.0 |
| Widowed | 17.2 | 49.6 | 11.5 | 40.2 | 27.9 | 65.2 |
| Divorced | 5.4 | 8.9 | 5.1 | 11.0 | 5.9 | 5.6 |

SOURCE: U.S. Bureau of the Census. Unpublished data from the March 1986 Current Population Survey.

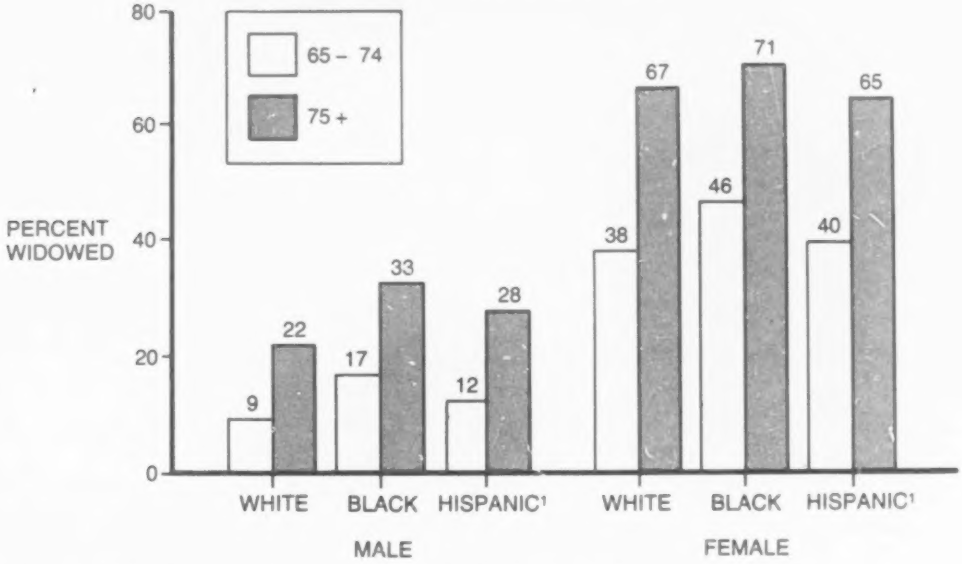
NOTE: Percentage distributions may not add to 100.0 due to rounding.

[1] People of Hispanic origin may be of any race.

Older black and Hispanic men are more likely than their white counterparts to be widowed (chart 5-1). The same is true for women 65-74 years of age, but the differences among women by race and origin are smaller than among older men and are negligible among women beyond the age of 75. Older white women in both age groups are only half as likely as black and Hispanic women to be divorced.

### Chart 5-1

### WIDOWHOOD OF PEOPLE 65+ YEARS OLD, BY AGE, SEX, RACE, AND HISPANIC ORIGIN: MARCH 1986



SOURCE: U.S. Bureau of the Census. Unpublished data from the March 1986 Current Population Survey.

[1]People of Hispanic origin may be of any race.

## MOST ELDERLY MEN LIVE IN FAMILY SETTINGS, MOST ELDERLY WOMEN LIVE ALONE

Two-thirds (67 percent) of older, noninstitutionalized people lived in a family setting in 1986 (table 5-2). As with marital status, however, these statistics vary considerably by sex, and the differences grow larger with advancing age. For example, nearly four of every five men 75 years old or older (78 percent) lived with their spouses or other family members, compared to less than half (47 percent) of women in this age group.

### Table 5-2

### LIVING ARRANGEMENTS OF OLDER PEOPLE, BY AGE, SEX, RACE, AND HISPANIC ORIGIN: MARCH 1986

**(excludes people in institutions)**

| Living arrangement | 65+ |  | 65-74 |  | 75+ |  |
|---|---|---|---|---|---|---|
|  | Male | Female | Male | Female | Male | Female |
| ALL RACES |  |  |  |  |  |  |
| Total (thousands) | 11,272 | 16,049 | 7,440 | 9,439 | 3,832 | 6,610 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Living with spouse | 75.3 | 38.3 | 79.2 | 49.2 | 67.9 | 22.8 |
| Living with other relatives | 7.2 | 18.2 | 5.7 | 14.4 | 10.2 | 23.8 |
| Living alone | 14.9 | 41.3 | 12.7 | 34.6 | 19.2 | 51.0 |
| Living with nonrelatives | 2.5 | 2.1 | 2.4 | 1.9 | 2.7 | 2.4 |
| WHITE |  |  |  |  |  |  |
| Total (thousands) | 10,162 | 14,468 | 6,704 | 8,453 | 3,458 | 6,015 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Living with spouse | 76.7 | 39.5 | 80.4 | 51.0 | 69.5 | 23.4 |
| Living with other relatives | 6.7 | 16.6 | 5.4 | 12.8 | 9.2 | 22.0 |
| Living alone | 14.3 | 41.9 | 11.8 | 34.5 | 19.0 | 52.2 |
| Living with nonrelatives | 2.3 | 2.0 | 2.4 | 1.7 | 2.3 | 2.4 |
| BLACK |  |  |  |  |  |  |
| Total (thousands) | 908 | 1,365 | 608 | 837 | 300 | 528 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Living with spouse | 59.9 | 25.8 | 64.0 | 31.5 | 51.7 | 16.7 |
| Living with other relatives | 12.0 | 31.7 | 10.0 | 27.0 | 16.0 | 39.2 |
| Living alone | 23.3 | 39.3 | 23.0 | 38.0 | 24.0 | 41.5 |
| Living with nonrelatives | 4.8 | 3.2 | 3.1 | 3.6 | 8.3 | 2.5 |
| HISPANIC ORIGIN[1] |  |  |  |  |  |  |
| Total (thousands) | 389 | 526 | 253 | 328 | 136 | 198 |
| Percent | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Living with spouse | 63.2 | 30.8 | 66.0 | 37.8 | 58.1 | 19.2 |
| Living with other relatives | 21.6 | 35.9 | 19.4 | 31.7 | 25.7 | 42.9 |
| Living alone | 13.6 | 31.2 | 13.0 | 29.0 | 14.7 | 34.8 |
| Living with nonrelatives | 1.8 | 1.9 | 1.6 | 1.2 | 2.2 | 3.0 |

SOURCE: U.S. Bureau of the Census. Unpublished data from the March 1986 Current Population Survey.

NOTE: Percentage distributions may not add to 100.0 due to rounding.

[1] People of Hispanic origin may be of any race.

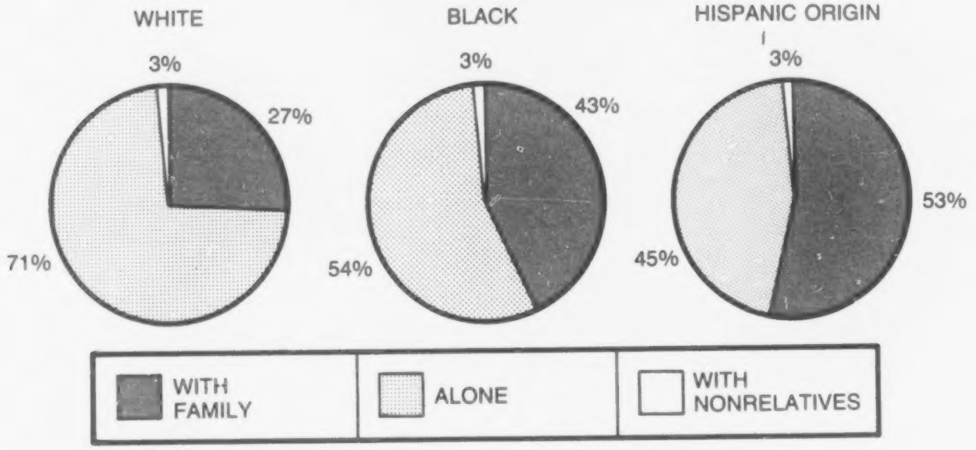
About 8.3 million older people—representing 30 percent of all noninstitutionalized people 65+ years old—were living alone in 1986. The vast majority of older persons living alone were women (80 percent or 6.6 million). Among all noninstitutionalized older men, only about 15 percent were living by themselves, while 41 percent of all noninstitutionalized women were living alone.

There are significant differences by race and origin in the living arrangements of older people. One of the most striking differences is the tendency for widowed minority women to live with other family members, while most widowed white females maintain separate households (chart 5-2). For example, 43 percent of older black widows and 53 percent of older Hispanic widows in 1986 lived with children or other family members compared to only 27 percent of their white counterparts.

Chart 5-2

LIVING ARRANGEMENTS OF WIDOWS 65+ YEARS OLD, BY RACE AND HISPANIC ORIGIN: MARCH 1986

(excludes people in institutions)



SOURCE: U.S. Bureau of the Census. Unpublished data from the March 1986 Current Population Survey.

[1] People of Hispanic origin may be of any race.

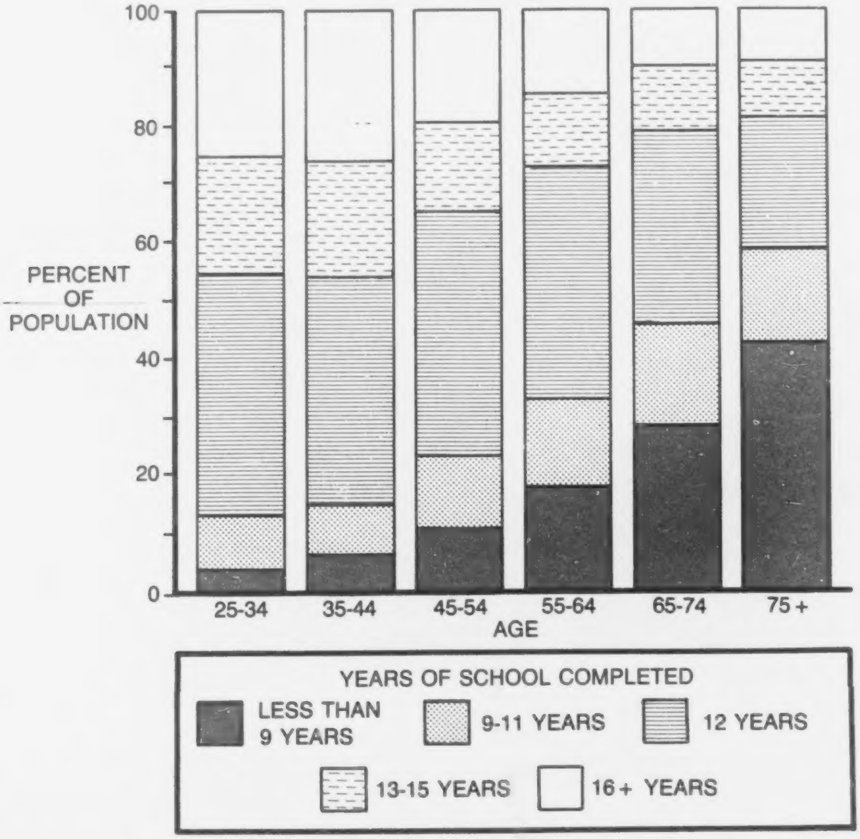
# EDUCATION

## THE EDUCATION GAP BETWEEN OLDER AND YOUNGER PERSONS IS CLOSING

Although educational attainment of the elderly population is well below that of the younger population, the gap in median school years completed has narrowed somewhat over the last 30 years and is expected to decrease further by the end of this decade. Between 1970 and 1986, the median level of education among the elderly has increased from 8.7 years to 11.8 years (11.7 years for males and 11.9 years for females). By the year 2000, the median number of school years completed for persons 65 and over is expected to be 12.4 years as compared to 12.8 for all persons 25 years old and over.[3]

Chart 5-3

EDUCATIONAL ATTAINMENT BY AGE: 1986



SOURCE: U.S. Bureau of the Census. Unpublished data from the March 1986 Current Population Survey.

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[3] U.S. Bureau of the Census. "Demographic and Socioeconomic Aspects of Aging in the United States." *Current Population Reports* Series P-23, No. 138 (August 1984).

In 1986, elderly persons were much less likely to have graduated from high school than the entire population 25 years old and over. About 49 percent of the elderly population were high school graduates as compared with 75 percent of the population 25 years and older. Likewise, only 20 percent of older people had completed at least one year of college compared to 36 percent of all people 25 years or older (chart 5-3, table 5-3).

### Table 5-3

### SELECTED MEASURES OF EDUCATIONAL ATTAINMENT BY AGE GROUP, SEX, RACE, AND HISPANIC ORIGIN: MARCH 1986

| Measure of educational attainment and age | Total | Sex |  | Race and Hispanic origin |  |  |
|---|---|---|---|---|---|---|
|  |  | Male | Female | White | Black | Hispanic origin[1] |
| Median years of school completed |  |  |  |  |  |  |
| 25 plus | 12.6 | 12.7 | 12.6 | 12.7 | 12.3 | 11.7 |
| 65 plus | 11.8 | 11.7 | 11.9 | 12.1 | 8.3 | 7.2 |
| 65-74 | 12.1 | 12.1 | 12.1 | 12.2 | 8.7 | 7.8 |
| 75 plus | 10.1 | 9.6 | 10.4 | 10.5 | 7.4 | 6.2 |
| Percent with at least a high school education |  |  |  |  |  |  |
| 25 plus | 74.7 | 75.1 | 74.4 | 76.2 | 62.3 | 48.5 |
| 65 plus | 49.3 | 48.9 | 49.5 | 51.8 | 22.3 | 19.2 |
| 65-74 | 54.6 | 54.1 | 54.9 | 57.3 | 26.9 | 23.4 |
| 75 plus | 40.7 | 38.8 | 41.8 | 43.1 | 14.4 | 12.0 |
| Percent with one or more years of college |  |  |  |  |  |  |
| 25 plus | 36.3 | 40.2 | 32.8 | 37.1 | 26.7 | 20.1 |
| 65 plus | 19.5 | 21.9 | 17.8 | 20.5 | 8.2 | 6.6 |
| 65-74 | 20.6 | 23.3 | 18.4 | 21.6 | 10.4 | 7.7 |
| 75 plus | 17.7 | 19.3 | 16.9 | 18.8 | 4.5 | 4.5 |

SOURCE: U.S. Bureau of the Census. Unpublished data from the March 1986 Current Population Survey.

[1] People of Hispanic origin may be of any race.

As illustrated in table 5-3, there are no significant differences in educational attainment by sex within the older population. However, there are large differences between older whites on the one hand, and older blacks and Hispanics on the other. For example, less than one in five people in the older minority populations in 1986 had completed a high school education, and the median years of school completed corresponded to an elementary school education or less. Among older whites, a majority (52 percent) had completed 12 or more years of school. About one-fifth (21 percent) of older whites had completed at least one year of college compared to eight percent of older blacks and seven percent of older Hispanics.

Differences by age group in educational attainment, unlike those in health status or income, are almost entirely due to the "cohort effect." That is, educational attainment is primarily a function of the prevailing attitudes and educational opportunities at a point in time. A population cohort receives most of its formal education during its formative and early adult years and then maintains that level of educational attainment throughout its lifetime.

The elderly population of today received the bulk of its formal education early in this century when educational opportunities were more limited than in recent decades and when the economic structure of the country put less emphasis on schooling. Also, the foreign born, who at that time had much lower levels of literacy and education than the native population, were a much larger proportion of the U.S. population. The strides made by this country in providing for universal education, fostering and rewarding college education, and increasing educational opportunities for women and minorities are reflected in the projected rapid increase in educational attainment by the older population in the next few years when people educated after World War II join the ranks of the older population.

Formal schooling is not the only educational opportunity available to older people. Adult education, typically in the form of part-time, noncredit courses taken for pleasure or to enhance one's career interests, is pursued by large numbers of older people. In the year ending May 1984, 23.3 million people 17 years of age or older had taken one or more adult education courses. Of these participants, nearly 900,000 (four percent) were 65 or older, and 2.7 million (12 percent) were 55 or older.[4]

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[4] U.S. Department of Education, Office of Educational Research and Improvement. "Participation in Adult Education, May 1984." (October 1986).

# HOUSING

## MOST OLDER PERSONS ARE ADEQUATELY HOUSED, BUT THOSE WITH LOWER INCOMES HAVE PROBLEMS OBTAINING UNITS THAT ARE AFFORDABLE AND SUITABLE

Of the 89.5 million U.S. households in 1987, 19.0 million (21 percent) were headed by people 65 years old or older.[5] Older people are a higher percent of householders than of the general population because their average household size is smaller.

Housing, while an asset for most older people, represents a serious burden for others. For older homeowners who do not have to budget for a mortgage or rental payments, or who can sell their homes at a profit, housing can be an asset. However, for many elderly persons who own older homes, the cost of utilities, real estate taxes, insurance, repair and maintenance can be prohibitive. And, for renters or owners with a mortgage, monthly payments can be a substantial burden.

Housing costs vary dramatically depending on homeownership status and age. The percentage of income spent on housing (excluding maintenance and repairs) in 1983 was higher for older households than for younger households: among homeowners without a mortgage (15 vs. 10 percent), homeowners with a mortgage (24 vs. 20 percent), and renters (32 vs. 28 percent) (table 5-4). Housing costs, as defined in this section, include gross rent or mortgage, real estate taxes and insurance for owners, and basic utility costs for all owners and for renters if such fees are not included in their rent.

This trend becomes stronger with increasing age. For 75-plus householders in 1983, housing expenses for renters and owners with a mortgage were 33 and 29 percent of income, respectively, as compared to 17 percent for owners without a mortgage.

### Table 5-4

### HOUSING COSTS AS A PERCENTAGE OF HOUSEHOLD INCOME, BY AGE OF HOUSEHOLDER, TENURE, AND MORTGAGE STATUS: 1983

| Tenure and mortgage status | Age of householder | | | | |
|---|---|---|---|---|---|
| | Under 65 | 65 + | | | |
| | | Total | 65-69 | 70-74 | 75 + |
| Owned, without mortgage | 9.9 | 15.3 | 13.5 | 15.4 | 17.2 |
| Owned, with mortgage | 19.8 | 24.3 | 22.7 | 24.4 | 28.6 |
| Rented | 27.9 | 32.2 | 31.2 | 31.3 | 33.3 |

SOURCE: U.S. Bureau of the Census. "Financial Characteristics of the Housing Inventory for the United States and Regions: 1983." *Current Housing Reports* Series H-150-83, Annual Housing Survey: 1983, Part C (December 1984) and unpublished data.

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[5] U.S. Bureau of the Census. "Money Income and Poverty Status of Families and Persons in the United States, 1986." *Current Population Reports* Series P-60, No. 157 (July 1987).

## HOUSING RENTAL AND OWNERSHIP VARIES BY AGE, SEX, AND LIVING ARRANGEMENTS

Of the 18.2 million households headed by older persons in 1985, 75 percent were owner-occupied and 25 percent were rental units.[6] The 1983 Annual Housing Survey found that 83 percent of owner-occupied elderly houses were owned free and clear.[7] Among the elderly, however, householders 75 years old or older were more likely than householders 65-74 years old to rent (32 vs. 23 percent), males were more likely than females to own homes (81 vs. 63 percent), and persons living alone were more likely to rent than were people who lived with their spouses (39 vs. 14 percent).

Over a third (36 percent) of elderly owner-occupied households in 1983 were inhabited by older men or women living alone, but nearly two-thirds (65 percent) of elderly rental units were maintained by older men or women living alone.[8]

## THE ELDERLY ARE MOST LIKELY TO LIVE IN OLDER HOMES OF LOWER VALUE

Persons 65 years old or older are most likely to live in older homes whether they rent or own. In 1983, 36 percent of elderly homeowners lived in housing structures built before 1940, and another 13 percent lived in structures built between 1940 and 1949. By contrast, 21 percent of younger homeowners lived in units built before 1940, and another eight percent lived in units built between 1940 and 1949. Younger renters were similar to elderly renters: 37 percent of both age groups lived in structures built before 1940, and nine percent of both age groups rented units built between 1940 and 1949.

While age of housing is not necessarily an index of physical condition, it does bear a relationship to size, functional obsolescence, and ease of maintenance. Various housing studies reveal that many older persons live in homes that are too large for current family size and need. Many elderly with physical handicaps do not have the funds or the services available to adapt older, larger homes to their physical needs.

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[6] U.S. Bureau of the Census. "Characteristics of the Population Below the Poverty Level: 1984." *Current Population Reports* Series P-60, No. 152 (June 1986).

[7] U.S. Bureau of the Census. "Financial Characteristics of the Housing Inventory for the United States and Regions: 1983." *Current Housing Reports* Series H-150-83, Annual Housing Survey: 1983, Part C (December 1984) and unpublished data.

[8] Ibid.

Age of housing also affects net worth. The median value in 1983 of all U.S. homes built before 1940 was $42,900 as compared to $74,800 for those built after April 1970. Thus, the median value for elderly owner-occupied housing in 1983 was $48,800, compared to $59,700 for housing occupied by all age groups. The median value for homes owned by older blacks ($33,100) was considerably less than homes owned by older whites and other races ($50,200) and older Hispanics ($46,200).[9]

## A SIGNIFICANT NUMBER OF ELDERLY PERSONS LIVE IN INADEQUATE HOUSING AND DO NOT HAVE TELEPHONES

Among households headed by people 65 or older, the 1983 Annual Housing Survey found that ten percent were "inadequate." Inadequate housing is defined as having specified flaws in one or more of seven areas: plumbing, kitchen, maintenance of physical structure, public hall-common area, heating, electrical system, and sewage disposal. Older renters (13 percent) were more likely than older homeowners (eight percent) to have such housing flaws.[10]

Telephones are an important link for all persons, particularly for elderly persons who live alone. Data from the 1980 census show that elderly renters are much more likely to be without a telephone than older homeowners. Nine percent of older renters were without telephones in 1980 while only three percent of older homeowners had no phones. Among homeowners, only three percent of older whites were without phones compared to eight percent of their black and Hispanic counterparts. Likewise, only eight percent of older white renters did not have phones compared to 19 and 18 percent, respectively, of older blacks and Hispanics.[11]

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[9] U.S. Bureau of the Census. "Financial Characteristics of the Housing Inventory for the United States and Regions: 1983." *Current Housing Reports* Series H-150-83, Annual Housing Survey: 1983, Part C (December 1984).

[10] U.S. Department of Housing and Urban Development. Unpublished data from the 1983 Annual Housing Survey.

[11] U.S. Bureau of the Census. "Structural Characteristics of the Housing Inventory." *1980 Census of Housing* Vol. 3, Subject Reports, HC80-3-4 (August 1984).

# VOTING

## OLDER AGE GROUPS ARE THE MOST LIKELY TO VOTE

In 1986, more than 29 million (16 percent) of the 178 million Americans of voting age were 65 and older. One of every five persons (21 percent) who reported voting in that year's midterm congressional election was an older person.

In the 1984 presidential election, persons 65 and older accounted for 18 percent of all noninstitutionalized people who reported voting. Nearly 68 percent of all elderly persons voted, compared to about 60 percent of all eligible voters. This represented an increase of three percentage points over the 65 percent turnout for older voters in the 1980 presidential election.

Persons in the 55-64 and 65-74 age groups participate more in elections than other age groups, as shown by data for the last four national elections—1980, 1982, 1984, and 1986 (table 5-5 and chart 5-4). In fact, the percentages of each of these two age groups voting in the 1984 election were twice that of the 18-19 age group.

As with all age groups, the voting percentage of the elderly and near-elderly dropped in the non-presidential election years (1982 and 1986), but not to the degree that participation rates declined in the younger age groups. Also, while the voting percentage for younger ages was lower in 1986 than in 1982, it remained unchanged for the 65-74 age group across these two elections, and actually rose for the 75-and-older group from 1982 to 1986. Voting participation declines for age groups 75 and older; but it is interesting that in the last four elections, the 75-plus age group was still more likely to vote than those younger than 35.

### Table 5-5

### NUMBER AND PERCENTAGE OF PERSONS WHO REPORTED VOTING IN NATIONAL ELECTIONS, BY AGE GROUP: 1980-1986

**(numbers in thousands—excludes people in institutions)**

| Age group | 1980 | | 1982 | | 1984 | | 1986 | |
|---|---|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| 18-plus . . | 93,066 | 59.2 | 80,310 | 48.5 | 101,878 | 59.9 | 79,954 | 46.0 |
| 18-19 . . . . | 2,788 | 34.2 | 1,468 | 18.3 | 2,596 | 35.1 | 1,201 | 16.9 |
| 20-24 . . . . | 8,438 | 42.2 | 5,671 | 27.2 | 8,811 | 42.8 | 4,580 | 23.7 |
| 25-34 . . . . | 19,498 | 54.6 | 15,667 | 40.4 | 21,978 | 54.5 | 14,720 | 35.1 |
| 35-44 . . . . | 16,460 | 64.4 | 14,676 | 52.2 | 19,514 | 63.5 | 16,283 | 49.3 |
| 45-54 . . . . | 15,174 | 67.5 | 13,350 | 60.1 | 15,035 | 67.5 | 12,544 | 54.8 |
| 55-64 . . . . | 15,031 | 71.3 | 14,141 | 64.4 | 15,889 | 72.1 | 13,761 | 62.7 |
| 65-74 . . . . | 10,622 | 69.3 | 10,312 | 64.8 | 11,761 | 71.8 | 11,117 | 65.1 |
| 75-plus . . | 5,055 | 57.6 | 5,024 | 51.9 | 6,294 | 61.2 | 5,748 | 54.0 |

SOURCES: U.S. Bureau of the Census. "Voting and Registration in the Election of November 1980." *Current Population Reports* Series P-20, No. 370 (April 1982).

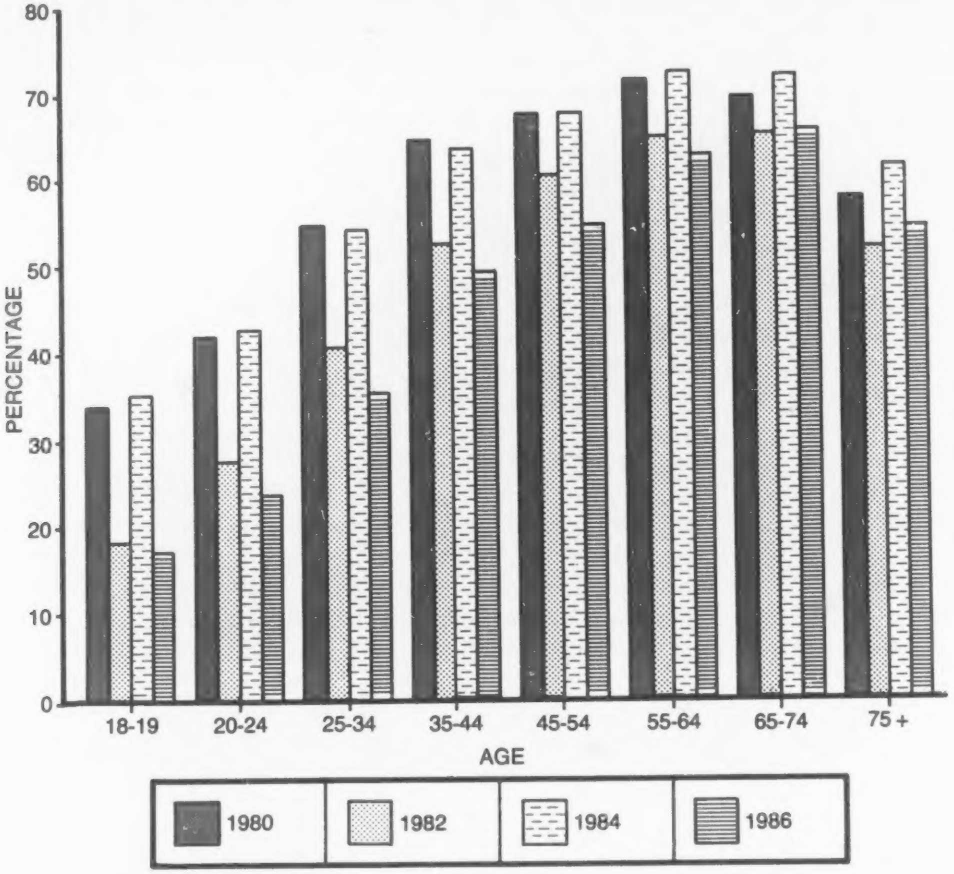
U.S. Bureau of the Census. "Voting and Registration in the Election of November 1982." *Current Population Reports* Series P-20, No, 383 (November 1983).

U.S. Bureau of the Census. "Voting and Registration in the Election of November 1984." *Current Population Reports* Series P-20, No. 405 (March 1986).

U.S. Bureau of the Census. Unpublished data from the November 1986 Current Population Survey.

### Chart 5-4

### PERCENT WHO REPORTED VOTING BY AGE GROUP: 1980, 1982, 1984, AND 1986 ELECTIONS



SOURCES: U.S. Bureau of the Census. "Voting and Registration in the Election of November 1980." *Current Population Reports* Series P-20, No. 370 (April 1982).

U.S. Bureau of the Census. "Voting and Registration in the Election of November 1982." *Current Population Reports* Series P-20, No. 383 (November 1983).

U.S. Bureau of the Census. "Voting and Registration in the Election of November 1984." *Current Population Reports* Series P-20, No. 405 (March 1986).

U.S. Bureau of the Census. Unpublished data from the November 1986 Current Population Survey.

As in previous elections, older men were more likely to report voting in the 1984 presidential election than were older women, and older whites were more likely to have voted than older blacks and Hispanics (table 5-6). At the extreme, white men 65-74 years old were two and one-half times as likely to have voted (75 percent) than were Hispanics 75 years or older of either sex (about 30 percent). In the 1986 congressional election, the voting patterns of the older population were similar although the voting rates were lower.

### Table 5-6

### PERCENT OF OLDER PEOPLE WHO REPORTED VOTING IN ELECTIONS, BY AGE, SEX, RACE, AND HISPANIC ORIGIN: 1984 AND 1986

**(excludes people in institutions)**

| Race and Hispanic origin | 65-74 years | | 75 years or older | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| 1984 Election | | | | |
| Total | 73.9 | 70.2 | 68.3 | 57.2 |
| White | 75.0 | 71.2 | 69.6 | 57.8 |
| Black | 65.9 | 57.9 | 64.0 | 55.0 |
| Hispanic origin[1] | 49.7 | 44.6 | 30.3 | 29.2 |
| 1986 Election | | | | |
| Total | 68.7 | 62.2 | 63.1 | 48.8 |
| White | 70.1 | 63.3 | 64.2 | 49.5 |
| Black | 58.9 | 55.8 | 52.1 | 43.9 |
| Hispanic origin[1] | 43.7 | 35.8 | 32.6 | 30.9 |

SOURCE: U.S. Bureau of the Census. "Voting and Registration in the Election of November 1984." *Current Population Reports* Series P-20, No. 405 (March 1986) and unpublished data from the November 1986 Current Population Survey.

[1] People of Hispanic origin may be of any race.

Among the elderly who were registered to vote in 1980 but did not, 43 percent attributed the cause to illness and nine percent cited lack of transportation. About 27 percent of all registered voters and 19 percent of all older registered voters did not vote in 1980 because of lack of interest or lack of preference for either candidate. Twenty-nine percent of older registrants cited other reasons (e.g., away from home, working) or did not answer.[12]

According to a survey by ABC News, 55 percent of voters 60 and older voted Democratic and 45 percent voted Republican in the 1986 midterm election for the House of Representatives, and 51 percent voted Democratic and 49 percent Republican for the Senate election. A New York Times/CBS News poll counted a 52/48 percent Democrat/Republican split among older voters for House seats. According to a Los Angeles Times poll, 60 percent of persons 60 and over voted Republican and 40 percent voted Democratic in the 1984 Presidential election. A New York Times poll counted a 63/36 percent Republican/Democratic split.

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[12] U.S. Bureau of the Census. "Voting and Registration in the Election of November 1980." *Current Population Reports Series P-70, No. 370 (April 1982).*

# USE OF COMMUNITY SERVICES

One of every five older people in 1984 used one or more of a selected group of services provided in the community, according to a study by the National Center for Health Statistics (NCHS).[13] The study, based on a nationwide survey of noninstitutionalized older people, found that the most commonly used services were those provided outside the home rather than those delivered in the home.

The NCHS study found that 21 percent of the older respondents, representing 5.7 million people 65 years old or older in the country, reported using one or more of a group of nine services during the 12 months prior to their interviews (chart 5-5). Four of the services—senior centers, congregate meals (meals at group sites such as churches and senior centers), special transportation for the elderly, and adult day care—are provided outside the home. The other five services are provided in the home and include visiting nurses, home-delivered meals, home health aides, homemakers (who provide assistance with such tasks as cooking and cleaning), and telephone call-checking.

Services provided outside the home were the only ones that were used by five percent or more of the sample. By far the most widely used service was senior centers. About 15 percent of the respondents, representing 4.0 million older people, reported using these centers. The next most widely used service was congregate meals (eight percent or 2.1 million people), followed by special transportation for the elderly (five percent or 1.2 million).

Four of the remaining services—visiting nurses, home-delivered meals, home health aides, and homemakers—were used by increasingly smaller numbers of respondents (from one to three percent, or one-third to three-quarters of a million people). The other services—telephone call-checking and adult day care—were used by so few respondents that reliable national estimates could not be made.

Although these statistics on service usage may appear low to some observers, it must be remembered that the informal support network of family members, friends, and neighbors provides most of the care for older people in the community. These statistics also do not include the experiences of people who died or were institutionalized in the year prior to the time of the interview. Other research has shown that people are high users of health and supportive services in the year before their institutionalization or death. If such data could have been included in this survey, the usage rates of in-home and community services would be significantly higher.

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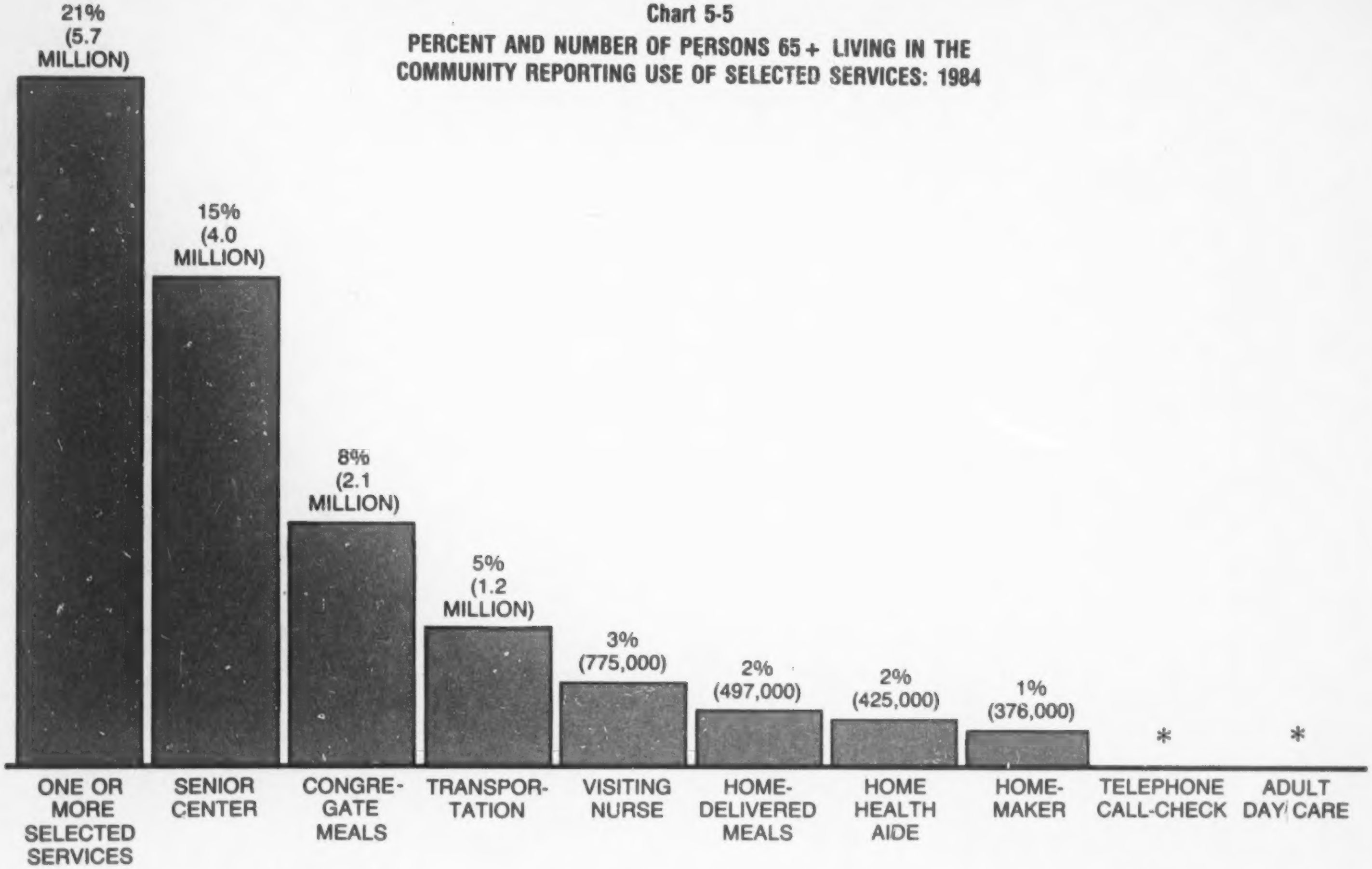
[13] National Center for Health Statistics. "Aging in the Eighties, Age 65 Years and Over: Use of Community Services." *Advance Data* No. 124 (September 1986).

## Chart 5-5

### PERCENT AND NUMBER OF PERSONS 65+ LIVING IN THE COMMUNITY REPORTING USE OF SELECTED SERVICES: 1984



SOURCE: National Center for Health Statistics. "Aging in the Eighties, Age 65 Years and Older: Use of Community Services." *Advance Data* No. 124 (September 1986).

* Number of sample cases too small to produce reliable estimate.

NOTE: Some respondents reported use of more than one service; therefore, numbers and percentages are not additive.

A variety of community services were not included in the NCHS survey. Use of the omitted services by older people would be hard to measure because they are difficult to define or because they are not as widely available as many of the nine services included in the questionnaire. The missing services include information and referral, legal assistance, various types of counselling, housing and employment services, outpatient rehabilitation and physical therapy, case management, and social and recreational activities (other than those offered at senior centers).

Over half (53 percent) of the older respondents who indicated that they used any of the specific services reported that they only used one service (mostly senior centers). Another third (34 percent) reported using two services, and only 13 percent said they used three or more services during the previous 12 months. The data indicate service usage is more likely among women, persons age 75 or older, persons living alone, and persons with moderate or severe limitations.[14]

Many of the differences in rates of service usage (e.g., between males and females) are quite small and are probably not statistically significant. However, the results show that those older people most likely to need assistance are also those most likely to have received such help. For example, the highest rates of usage were reported by older people with moderate to severe limitations who lived alone. The usage rates for these respondents ranged from ten to 13 percent for the in-home services providing home-delivered meals, homemakers, and home health (home health aides and visiting nurses were combined into the latter category for this analysis), and 12 to 19 percent for the services provided outside the home (senior centers, congregate meals, and transportation).

(NOTE: Information provided in the section on community services is taken from an article by Donald G. Fowles, U.S. Administration on Aging, entitled "The Use of Community Services," which appeared in *Aging Magazine*, No. 355, 1987.)

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[14] For this analysis, people under 70 years of age are classified as severely limited if they are unable to perform their major activity (e.g., going to school, working, keeping house, etc.) or are unable to work, and are classified as moderately limited if they are limited in the amount or kind of major activity they can perform. People 70 years or older are classified as severely limited if they need the help of another person with personal care needs such as eating or bathing, and are classified as moderately limited if they can perform personal care activities unaided but need another person's help with home management activities such as shopping or household chores.

# Chapter 6.

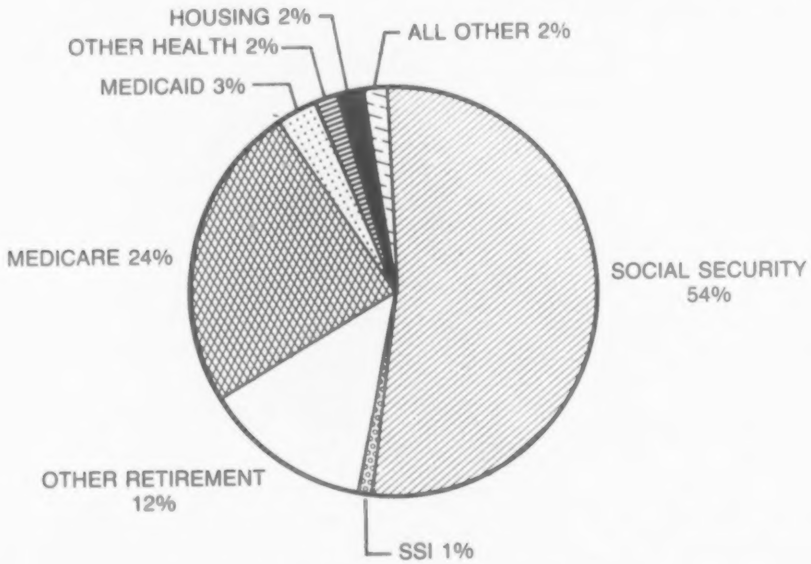
# Federal Outlays Benefiting the Elderly

# Federal Outlays Benefiting the Elderly

Since 1960, the share of the federal budget spent on programs serving the elderly has nearly doubled. In 1960, less than 15 percent of the federal budget was spent on the elderly. In fiscal year 1986, programs benefiting the elderly accounted for 26 percent of the federal budget, down from 28 percent in fiscal year 1984.

The long-term increase in the share of the budget spent on the elderly has occurred primarily because of legislated improvements in income protection, health insurance, and services which were enacted in the late 1960s and early 1970s in an effort to reduce high levels of poverty among the elderly. At the same time, the focus of spending on aging programs has shifted. Retirement income has declined as a percent of federal spending. Today, two-thirds of the budget for the elderly is spent on retirement income as compared to 90 percent in 1960. Health care spending, in contrast, has become an increasingly significant element of federal spending. For example, spending on health programs for the elderly as a proportion of all federal spending on the elderly has increased from six percent in 1960 to an estimated 29 percent in 1986 (chart 6-1 and table 6-1).

Chart 6-1
FEDERAL OUTLAYS BENEFITING THE ELDERLY: 1986



SOURCE: Executive Office of the President, Office of Management and Budget. February 1986.

### Table 6-1
### FEDERAL OUTLAYS BENEFITING THE ELDERLY: 1984-86[1]
### (dollars in millions)

| | Fiscal year | | |
|---|---|---|---|
| Type of outlay | 1984 actual | 1985 actual | 1986 estimate |
| Medicare | 53,307 | 60,907 | 64,417 |
| Medicaid | 7,435 | 8,057 | 8,878 |
| Other federal health | 4,138 | 4,573 | 4,662 |
| Health subtotal | 64,880 | 73,537 | 77,957 |
| Social Security | 129,284 | 137,852 | 146,235 |
| Supplemental security income (SSI)[2] | 3,547 | 3,649 | 3,719 |
| Veterans compensation-pensions | 5,031 | 5,745 | 6,113 |
| Other retired, disabled, and survivors benefits | 23,689 | 24,634 | 25,863 |
| Retirement/disability subtotal | 161,551 | 171,880 | 181,930 |
| National Institute on Aging | 100 | 126 | 132 |
| Older American volunteer programs | 92 | 102 | 106 |
| Senior community service employment | 321 | 320 | 323 |
| Administration on Aging | 824 | 825 | 836 |
| Subsidized housing[3][4] | 4,338 | 9,166 | 4,870 |
| Section 202 elderly housing loans[5] | 595 | 501 | 490 |
| Farmers Home Administration Housing | 40 | 55 | 84 |
| Food Stamps[6] | 610 | 615 | 612 |
| Social services (title XX) | 366 | 369 | 369 |
| Low income home energy assistance[7] | 608 | 642 | 606 |
| Other miscellaneous[8] | 1,490 | 1,185 | 1,193 |
| Other subtotal | 9,385 | 13,906 | 9,622 |
| Total elderly outlays | 235,815 | 259,322 | 269,505 |
| Percentage of total federal outlays[9] | 28 | 27 | 26 |

[1] Much of the data used to compile this table is based on unsubstantiated estimates and preliminary program and demographic information. Most estimates are for recipients age 65 and over, include the effects of proposed legislation such as COLA freeze, and include rough estimates of the effect of Gramm-Rudman-Hollings on fiscal year 1986 outlays. Some federal programs (e.g., consumer activities, USDA extension services, national park services) have been excluded due to lack of data.

[2] Fiscal year 1984 outlays reflect an 11-month benefit period.

[3] HUD defines "elderly" beneficiaries as households with head of household 62 and over.

[4] Financing changed from loan guarantees to direct loans resulting in one time fiscal year 1985 outlay increase in Public Housing.

[5] Reflects net disbursements for new direct loans.

[6] Includes nutrition assistance to Puerto Rico.

[7] Based on 30 percent of total program obligations.

[8] Drop in unemployment rates and associated reduction in outlays causes the decrease between fiscal years 1984-85.

[9] Total federal outlays includes items categorized as off-budget before fiscal year 1985.

SOURCE: Executive Office of the President, Office of Management and Budget, February 1986.

Only excessive increases in the cost of health care threaten to further expand federal spending on the elderly. Forecasts of the costs of pension and health care programs over the next 50 years indicate that the share of the budget devoted to pension spending will decline somewhat and remain below current levels in the future. On the other hand, without some change in the method of financing, the share of the budget devoted to health care spending will continue to rise and may eventually surpass the cost of pensions.

# FEDERAL SPENDING FOR THE ELDERLY

## MOST FEDERAL SPENDING FOR THE ELDERLY IS FOR SOCIAL SECURITY AND MEDICARE

In fiscal year 1986, an estimated $269.5 billion of federal spending was of direct benefit to older Americans. Of every dollar spent on the elderly through the federal budget in that year, 54 cents went to Social Security and 27 cents went to Medicare and Medicaid.

Social Security and all but a portion of Medicare are financed through dedicated taxes collected expressly and exclusively for the purposes of paying retirement and health benefits. In the last two decades alone, increases in social insurance benefits have helped to cut the poverty rate among the elderly in half—from 28.5 percent in 1966 to 12.4 percent in 1986. The 1985 poverty rate of seven percent for families headed by older persons would have risen to 39 percent if Social Security and other transfer payments were not available. Likewise, the poverty rate for older unrelated individuals would have increased from 26 to 67 percent. Seven of every ten older families who would have had incomes below the poverty level without such benefits in 1985 were raised above the poverty line by transfer payments.[1]

The federal government also provides pensions and compensation in exchange for services provided by citizens to the government. It provides disability compensation and pension benefits to veterans of military service and to its own former employees and their survivors 65 years old or older. About 12 cents of every federal dollar spent on the elderly in fiscal year 1986 went to support these programs.

A third area of federal involvement with the elderly is in providing means-tested benefits to elderly poor people who are unable, despite the existence of a universal social insurance system, to meet basic subsistence needs. About four cents of every dollar spent on the elderly in fiscal year 1986 was expected to be used to provide Supplemental Security Income (SSI) benefits, housing, food stamps, energy assistance, and social services to low-income individuals.

The fourth area of federal spending on the elderly includes programs of general benefit to the elderly such as social, nutrition, and employment services provided through the Older Americans Act, research conducted through the National Institute on Aging, and volunteer services through the ACTION agency. Less than one percent of the elderly's share of the federal budget is spent on these programs.

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[1] U.S. Bureau of the Census. Unpublished data from the March 1986 Current Population Survey.

# COSTS TO INDIVIDUALS AND FAMILIES

## INCREASED FEDERAL SPENDING FOR HEALTH CARE HAS NOT REDUCED HEALTH COSTS TO OLDER AMERICANS

While the enactment of Medicare triggered the most rapid growth in federal spending for the elderly, it has not effectively reduced the burden of health care costs for the elderly and their families. From a program spending $7.5 billion in 1970, Medicare has grown to a program with $77.7 billion in federal outlays in 1986.[2] Since 1975, Medicare outlays have increased at an average annual rate of 15 percent, more than twice the rate of inflation and one-fourth faster than the growth in national personal health care expenditures.[3] Even with savings measures enacted in the 1980s, Medicare is still projected to grow at twice the rate of inflation or more through the end of the decade.

Despite this growth in annual spending, Medicare payments increasingly fail to keep pace with rising health care costs. Health care expenditures not paid by Medicare have been rising steadily as a percent of elderly income. By 1984, health care spending not paid by Medicare equaled 15 percent of the average per capita income of a person 65 years or older. The elderly pay one-fourth of their total health care bills out-of-pocket, excluding premium payments for Part B Medicare and private health insurance.

Medicaid was enacted to provide matching funds to the states to finance health insurance for the poor, including supplemental insurance for the elderly poor covered under Medicare. Medicaid has also grown rapidly with federal and state fiscal year outlays rising from $4.9 billion in 1970 to $37.5 billion in 1985. Medicaid payments to the elderly amounted to $14.1 billion in 1985, more than three times the amount spent on the elderly only a decade earlier.[4] The portion of total Medicaid spending attributed to the elderly has remained about the same over the last decade—37 percent in 1974 to 38 percent in 1985.

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[2] U.S. Social Security Administration. Tables M-6 and M-7. *Social Security Bulletin* Vol. 50, No. 6 (June 1987). Data are for calendar years and include expenditures for program administration and health benefits for nonaged beneficiaries.

[3] Health Care Financing Administration, Office of the Actuary, Division of National Cost Estimates. "National Health Expenditures, 1986 to 2000." *Health Care Financing Review* Vol. 8, No. 4 (August 1987).

[4] U.S. Social Security Administration. Table 164. *Social Security Bulletin* Annual Statistical Supplement (December 1986). Note that the $14.1 billion figure includes state as well as federal expenditures and thus differs from the federal expenditures shown in table 6-1.

# LONG-TERM FINANCING

## THE LONG-TERM GROWTH IN FEDERAL SPENDING WILL BE FOCUSED ON HEALTH CARE COSTS

Rising health care costs, rather than spending for retirement income, are the greatest source of the current increase in public spending on the elderly (table 6-2). Social Security retirement and disability benefits, which grew from 2.5 percent of GNP in 1965 to 5.2 percent in 1983, are projected to decline to 4.2 percent by 2005, and then increase slightly to 5.7 percent by 2030. Other pension benefits paid from the federal budget are expected to decline from two percent of GNP currently to about 1.2 percent of GNP by 2030.[5]

### Table 6-2

### FEDERAL PENSION AND HEALTH PROGRAMS AS A PERCENTAGE OF GNP AND THE BUDGET: 1965 to 2040

| Year | Pension programs as a percent of GNP[1] | Health programs as a percent of GNP[1] | Total as a percent of GNP[1] | Total as a percent of budget[2] |
|---|---|---|---|---|
| 1965 | 4.1 | 0.3 | 4.4 | 24.9 |
| 1970 | 4.7 | 1.4 | 6.1 | 30.0 |
| 1975 | 6.4 | 2.0 | 8.4 | 37.1 |
| 1980 | 6.5 | 2.3 | 8.8 | 38.2 |
| 1982 | 7.1 | 2.7 | 9.7 | 39.6 |
| 1984 | 7.0 | 2.8 | 9.8 | 39.7 |
| 1986 | 6.6 | 3.0 | 9.6 | 39.4 |
| 1988 | 6.4 | 3.2 | 9.6 | 39.4 |
| 1990 | [3]6.6 | [3]3.1 | 9.7 | 40.4 |
| 1995 | 6.2 | 3.7 | 9.9 | 41.3 |
| 2000 | 5.8 | 4.0 | 9.8 | 40.8 |
| 2005 | 5.6 | 4.4 | 10.0 | 41.7 |
| 2010 | 6.0 | 4.7 | 10.7 | 44.6 |
| 2015 | 6.0 | 5.0 | 11.0 | 45.8 |
| 2020 | 6.5 | 5.4 | 11.9 | 49.6 |
| 2025 | 7.0 | 5.9 | 12.9 | 53.9 |
| 2030 | 7.1 | 6.4 | 13.5 | 56.3 |
| 2035 | 7.1 | 7.0 | 14.1 | 58.8 |
| 2040 | 7.0 | 7.5 | 14.5 | 60.4 |

[1] Estimates for 1984 to 1988 are based on CBO baseline assumptions (August 1983); forecasts for 1990 and beyond are based on intermediate assumptions of the Social Security and Medicare actuaries.

[2] Forecasts for 1990 and beyond are based on the assumption that the budget accounts for 24 percent of GNP.

[3] The discontinuity in the estimates of pension and health benefits as a percent of GNP between 1986 and 1990 is due to the Social Security trustees assuming that OASDI will grow at a faster rate in the late 1980s than CBO assumes and the Health Insurance trustees assuming that Medicare will grow at a slower rate than CBO assumes.

SOURCE: Palmer, John L. and Barbara B. Torrey. "Health Care Financing and Pension Programs." Paper prepared for the Urban Institute Conference on "Federal Budget Policy in the 1980s," September 29-30, 1983.

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[5] Palmer, John L. and Barbara B. Torrey. "Health Care Financing and Pension Programs." Paper prepared for the Urban Institute Conference on "Federal Budget Policy in the 1980s," September 29-30, 1983.

On the other hand, health care costs will continue to grow steadily. In 1970, Medicare and other federal health programs accounted for only 1.4 percent of GNP; but by 1986, federal health spending had risen to 3.0 percent of GNP. With no change in current law, federal expenditures on health care are projected to increase to more than six percent of GNP by 2030.[6] In short, if health care costs are not brought under control, federal spending on health care will equal, or even surpass, federal spending on retirement income within the next 50 years.

## SOCIAL SECURITY SOLVENCY IS ANTICIPATED FOR THE NEXT 75 YEARS, BUT MEDICARE FACES A DEFICIT NEAR THE TURN OF THE CENTURY

In the long run, the combined OASDI (Old Age Survivors and Disability Insurance) Social Security trust funds appear to be in close actuarial balance, meaning that during the next 75 years as a whole, it is projected that the taxes collected for Social Security will fall within five percent (plus or minus) of the amount needed to pay benefits (under intermediate assumptions). However, reserves accumulated in the early years of this period may be consumed by deficits incurred in the later years. The Disability Insurance program (DI) itself is not in close actuarial balance, and the DI trust fund is projected to be exhausted between 2000 and 2030 under all but the most optimistic assumptions. The OASDI program is projected to have income exceeding annual costs until about 2015. Under the most optimistic assumptions, the combined OASDI trust funds will continue to accumulate through the year 2065 (with a brief hiatus in the early 2020s). The intermediate and pessimistic sets of assumptions result in projected annual OASDI deficits after 2015. Only under the more optimistic of the intermediate assumptions do the OASDI trust funds remain solvent through 2065 (chart 6-2).

The projected balances in the OASDI trust funds are highly dependent upon economic projections over the 75-year forecast period. One measure of the ability to pay benefits is the analysis of costs as a percentage of GNP—in other words, the program costs in relation to the total value of goods produced and services performed in the U.S. economy. Using such a measure, the most likely projection is that the large buildup in assets between now and the early part of the next century will be sufficient to finance the retirement benefits to the baby-boom generation.

Current revenues for the Medicare hospital insurance trust fund exceed expenditures. Without changes in current law, however, the balance in the fund is expected to be depleted around the turn of the century under all but the most optimistic projections.

According to the 1987 Report of the Medicare Trust Fund's Board of Trustees, the hospital insurance (HI) program financing should adhere to the principle that annual income should at least equal annual outlays plus an amount needed to maintain a balance equal to one-half year's disbursements. At the beginning of

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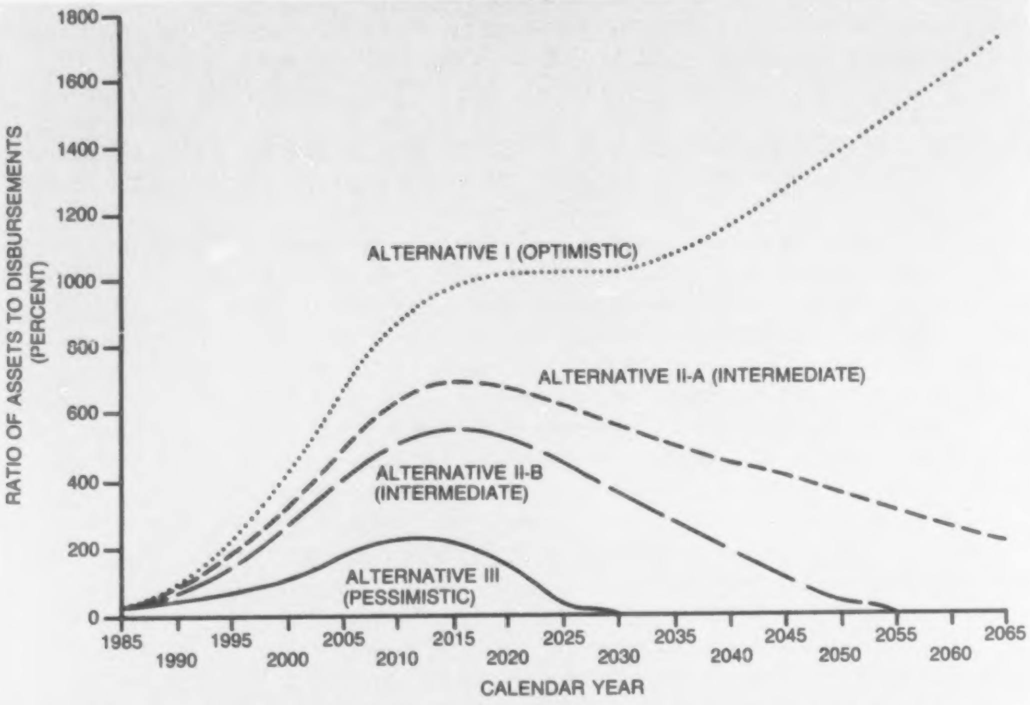
[6] Medicare forecasts relative to GNP are from the 1987 Report of the Trustees of the Hospital Insurance Fund.

**Chart 6-2**

**PROJECTED FUND RATIOS FOR OASDI (OLD-AGE AND SURVIVORS INSURANCE AND DISABILITY INSURANCE) TRUST FUNDS UNDER ALTERNATIVE ASSUMPTIONS: 1985-2065**



SOURCE: Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. *1987 Annual Report of the Board* Tables 16 and 29, March 30, 1987.

NOTE: Fund ratios represent the OASDI trust fund assets at the beginning of the year, plus advance tax transfers, as a percentage of disbursements during the year. A ratio of 8-9 percent is currently required to pay benefits at the beginning of each month.

1987, according to the Trustees' Report, the HI trust fund was above the minimum desired level. Chart 6-3 shows historic trust fund ratios for recent years and projected ratios under four sets of assumptions—optimistic (Alternative I), pessimistic (Alternative III), and two intermediate (Alternatives II-A and II-B).

Under both sets of intermediate assumptions, the HI trust fund ratio for Medicare is projected to increase until about 1992, and then decline steadily until the fund is completely exhausted just after the turn of the century. If more optimistic economic conditions prevail, the trust fund is projected to remain solvent

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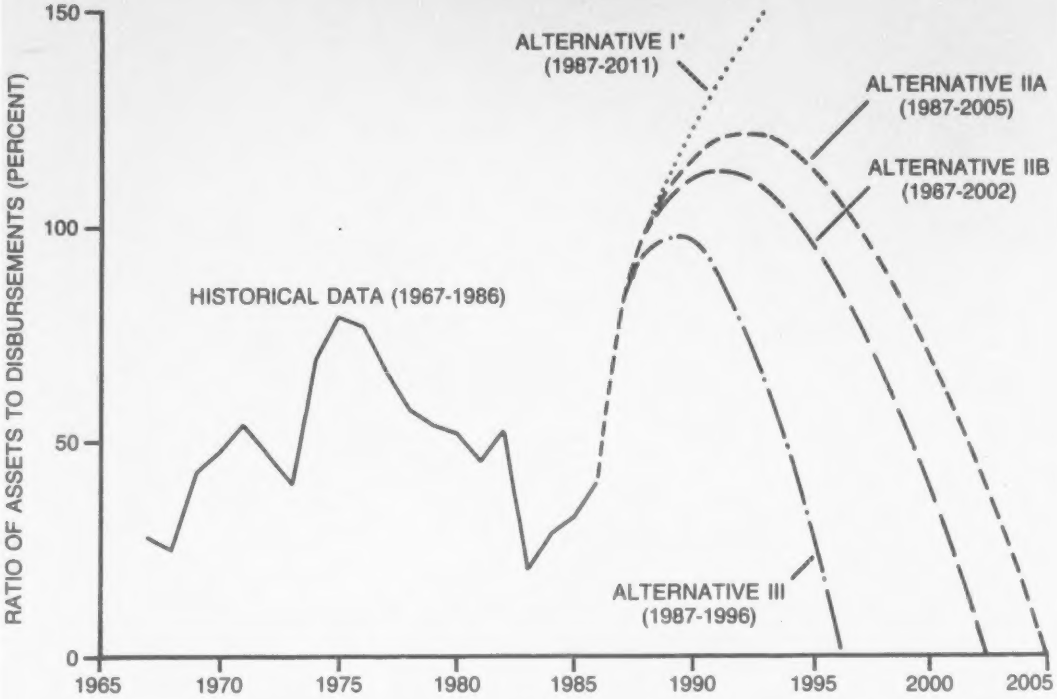
[7] Klees, Barbara and Carter Warfield. "Actuarial Status of the HI and SMI Trust Funds." *Social Security Bulletin* Vol. 50, No. 6 (June 1987).

**Chart 6-3**

**HISTORIC AND PROJECTED FUND RATIOS FOR HOSPITAL INSURANCE TRUST FUNDS UNDER ALTERNATIVE ASSUMPTIONS: 1967-2011**



SOURCE: Klees, Barbara and Carter Warfield. "Actuarial Status of the HI and SMI Trust Funds." *Social Security Bulletin* Vol. 50, No. 6 (June 1987).

* The HI trust fund remains sovent under Alternative I during this 25-year projection period.

NOTE: The trust fund ratio is defined as the ratio of assets at the beginning of the year to disbursements during the year.

throughout the next 50 years. Under the more pessimistic scenario, the trust fund ratio of assets to disbursements is expected to increase to about 98 percent in 1989 and then decrease rapidly until the fund is exhausted in 1996.[7]

In working out the means to prevent any upcoming insolvency in the trust fund, Congress may need to make broad system-wide changes in the Medicare program. A consensus as to the form such changes should take has yet to be reached.

Overall, the share of the federal budget going to the elderly is expected to remain fairly stable for the next two decades, as declines in the share for retirement income spending offset increases in health spending. Only then should overall spending on the elderly rise as a proportion of the budget, and then only if health costs have been allowed to rise unchecked in the interim.

# Chapter 7.
# International Comparisons

# International Comparisons

The phenomenon of an aging society is not unique to the United States. With worldwide advances in medical care and population control, many nations around the world face the prospect of an increasingly older population. This worldwide aging trend raises concerns about the ability of the world as a whole to provide for the health and income needs of a population that lives longer in retirement.

In the debate over the future of aging policy in this country, public officials often lose sight of the similarities between our problems and those faced by other nations around the world. Yet in many ways, the changes that will occur in this country are mild by comparison to those that must occur in developing nations and even in other developed countries. This chapter presents some of the scant international data on aging trends to provide a basis for placing our experience in the U.S. in the context of the worldwide aging trend. The countries selected for comparison are a cross-section of European and non-European developed countries and developing countries from various continents.

(NOTE: Except for the section on "Government Expenditures," the information for this chapter was drawn from the U.S. Bureau of the Census' report, "An Aging World" (forthcoming). The Bureau's report contains a variety of population data items for 31 selected countries, including most developed nations but excluding the Soviet Union. Tables in this chapter, except table 7-1 and those in the section on "Government Expenditures," provide data for eleven of the 31 countries included in "An Aging World"—eight developed and three developing (China, India, and Mexico).)

## AGE DISTRIBUTION

### THE U.S. HAS THE THIRD LARGEST ELDERLY POPULATION (AGE 65 PLUS) AND THE LARGEST "OLD-OLD" POPULATION (AGE 80 PLUS) IN THE WORLD

In 1985, there were 23 countries with more than two million people 65 years or older; eleven countries had more than five million. The U.S. population of 28.6 million persons aged 65 and older that year was the third largest in the world after China and India. The number of countries with more than two million elderly is projected to grow to 50 by the year 2025, when the U.S. population 65 years and older (58.8 million) will still rank third behind China (178.2 million) and India (119.0 million) (table 7-1).

The 1985 U.S. population of 6.2 million persons 80 years and older was the largest in the world, with 500,000 more people than China had in this same age group. The number of countries with one million or more people 80 years or older is projected to grow from nine in 1985 to 18 in 2025. By 2025, the U.S. will rank third in the world in the size of its "old-old" population (14.3 million) behind China (25.2 million) and India (16.4 million).

### Table 7-1

### COUNTRIES WITH MORE THAN FIVE MILLION ELDERLY (65+) AND ONE MILLION OLD-OLD (80+): 1985

| Country | 1985 population in specified age group (thousands) |
|---|---|
| Age 65 plus: | |
| China | 52,889 |
| India | 32,698 |
| United States | 28,609 |
| Soviet Union | 25,974 |
| Japan | 12,125 |
| West Germany | 8,812 |
| United Kingdom | 8,466 |
| Italy | 7,443 |
| France | 6,748 |
| Indonesia | 5,901 |
| Brazil | 5,828 |
| Age 80 plus: | |
| United States | 6,198 |
| China | 5,697 |
| Soviet Union | 4,610 |
| India | 2,913 |
| Japan | 2,000 |
| West Germany | 1,951 |
| France | 1,741 |
| United Kingdom | 1,732 |
| Italy | 1,436 |

SOURCE: Unpublished data from the United Nations, 1984 Assessment of World Population Prospects, and the U.S. Bureau of the Census, Center for International Research, as reported in Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

## SWEDEN HAS THE OLDEST POPULATION IN THE WORLD. THE PROPORTION OF ELDERLY IN THE U.S. POPULATION IS IN THE MIDDLE RANGE OF DEVELOPED NATIONS— SMALLER THAN EUROPEAN COUNTRIES BUT GREATER THAN NON-EUROPEAN DEVELOPED COUNTRIES

Sweden had the oldest population in the world in 1985, with 16.9 percent over age 65 (table 7-2). The elderly population in other Western European countries ranged between 12.4 percent (France) and 15.5 percent (Norway) of the total population. While only 12 percent of the U.S. population was 65 and older, this was a larger percentage than in all other non-European developed countries, whose elderly populations ranged from ten to 10.4 percent.[1]

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[1] The "developed" and "developing" country categories used in "An Aging World" correspond directly to the "more developed" and "less developed" classifications employed by the United Nations. Developed countries comprise all nations in Europe (including the Soviet Union) and North America, plus Japan, Australia, and New Zealand. All other nations of the world are considered to be developing countries.

### Table 7-2
### ELDERLY POPULATIONS (65+ AND 80+) IN SELECTED COUNTRIES: 1985-2025

| Country | Age 65 and older | | | | | Age 80 and older | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1985 (actual) | | 2025 (projected) | | Percent change, 1985 to 2025 | 1985 (actual) | | 2025 (projected) | | Percent change, 1985 to 2025 |
| | Number (thousands) | Percent of total | Number (thousands) | Percent of total | | Number (thousands) | Percent of total | Number (thousands) | Percent of total | |
| United States | 28,609 | 12.0 | 58,771 | 19.5 | 105.4 | 6,198 | 2.6 | 14,348 | 4.8 | 131.5 |
| France | 6,748 | 12.4 | 11,273 | 19.3 | 67.1 | 1,741 | 3.2 | 2,111 | 3.6 | 21.3 |
| West Germany | 8,812 | 14.5 | 12,017 | 22.5 | 36.4 | 1,951 | 3.2 | 2,855 | 5.3 | 46.3 |
| Italy | 7,443 | 13.0 | 11,221 | 19.6 | 50.8 | 1,436 | 2.5 | 2,485 | 4.3 | 73.1 |
| Sweden | 1,415 | 16.9 | 1,708 | 22.2 | 20.7 | 295 | 3.5 | 404 | 5.2 | 36.9 |
| United Kingdom | 8,466 | 15.1 | 10,437 | 18.7 | 23.3 | 1,732 | 3.1 | 2,211 | 4.0 | 27.7 |
| Canada | 2,651 | 10.4 | 6,240 | 18.8 | 135.4 | 513 | 2.0 | 1,235 | 3.7 | 140.7 |
| Japan | 12,125 | 10.0 | 26,842 | 20.3 | 121.4 | 2,000 | 1.7 | 6,531 | 4.9 | 226.6 |
| China | 52,889 | 5.1 | 178,150 | 12.8 | 236.8 | 5,697 | 0.5 | 25,208 | 1.8 | 342.5 |
| India | 32,698 | 4.3 | 118,968 | 9.7 | 263.8 | 2,913 | 0.4 | 16,435 | 1.3 | 464.2 |
| Mexico | 2,797 | 3.5 | 11,849 | 7.7 | 323.6 | 459 | 0.6 | 1,894 | 1.2 | 312.6 |

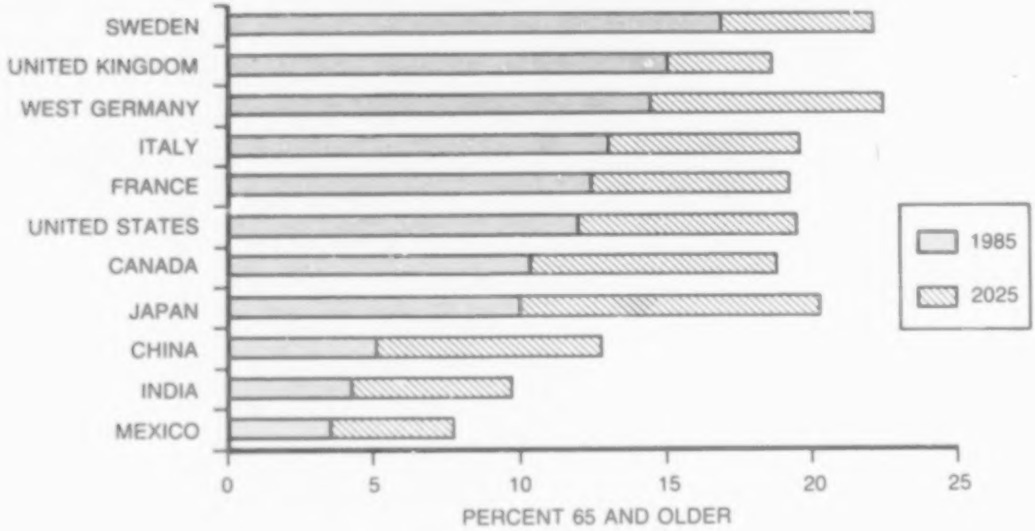
SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

## THE WORLD IS AGING. IN MANY DEVELOPED NATIONS, THE PROPORTION OF THE POPULATION AGE 65 AND OVER IS EXPECTED TO AS MUCH AS DOUBLE BY 2025

The elderly population will increase as a percentage of the total population throughout the world during the next 40 years. By 2025, in most developed countries, one in five persons will be age 65 and older. Japan and Canada will experience the greatest increase among developed countries in the percentage of the population that is elderly (chart 7-1). In the developing world, the concentration of elderly in the population by 2025 will begin to approximate today's concentration in the developed countries.

### Chart 7-1

### PERCENT OF POPULATION 65 AND OLDER IN SELECTED COUNTRIES: 1985 (ESTIMATED) AND 2025 (PROJECTED)

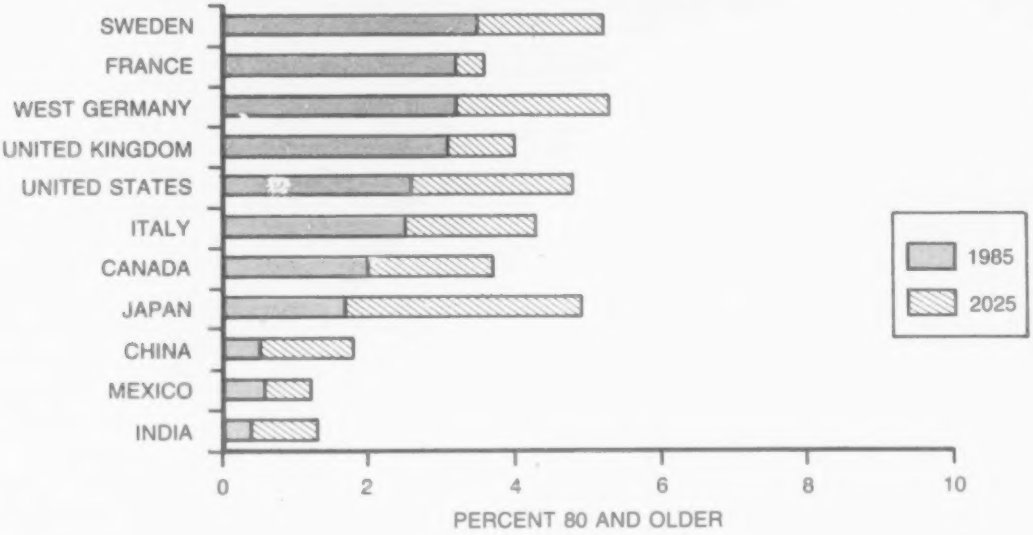


SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

Although the oldest-old (80+) are expected to grow as a proportion of the population during the next 40 years, they are now only two to three percent of the population in most of the developed world, and will grow by 2025 to three to five percent in most developed countries. Of the developed nations, Japan will experience the greatest increase in the proportion of the population age 80 and older—from 1.7 percent in 1985 to almost five percent in 2025. The U.S. and Canada will also have a substantial increase in the proportion in this age group. In most of the developing world, the oldest-old will still account for less than three percent of the population by 2025 (chart 7-2).

## Chart 7-2

## PERCENT OF POPULATION 80 AND OLDER IN SELECTED COUNTRIES: 1985 (ESTIMATED) AND 2025 (PROJECTED)



SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taeuber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

# THE U.S. GROWTH RATE IN THE AGE 65 TO 74 POPULATION WILL BE AMONG THE WORLD'S SLOWEST DURING THE NEXT 20 YEARS BUT AMONG THE MOST RAPID IN THE DEVELOPED WORLD IN THE SUBSEQUENT 20 YEARS

Because of the low birth rates during the 1930s, the 65-74 age group in the U.S. will increase at a relatively low average annual growth rate of 0.3 percent between 1985 and 2005 (table 7-3 and chart 7-3). With the exception of Sweden and the United Kingdom, much of the rest of the world will have a more rapid growth in this young-elderly population. Japan's annual rate of growth in the young-elderly population during this period (2.7 percent) will be the most rapid in the developed world, about nine times that of the U.S.

In the subsequent 20 years (2005 to 2025), the U.S. will experience a rapid rate of growth in its young-elderly population, as a result of the aging of America's "baby boom." Although Canada, Sweden, and the United Kingdom will experience a similar acceleration in the rate of growth of the young-elderly population, other developed countries will experience a slow-down in the rate of growth during this period. Japan will have a particularly sharp drop-off in the rate of growth in its young-elderly population during this period, but the oldest-old will continue to grow at a rapid rate. The average annual growth rate for the young-elderly in many of the world's developing countries—including China, India, and Mexico—will be greater than in the developed countries.

## Table 7-3

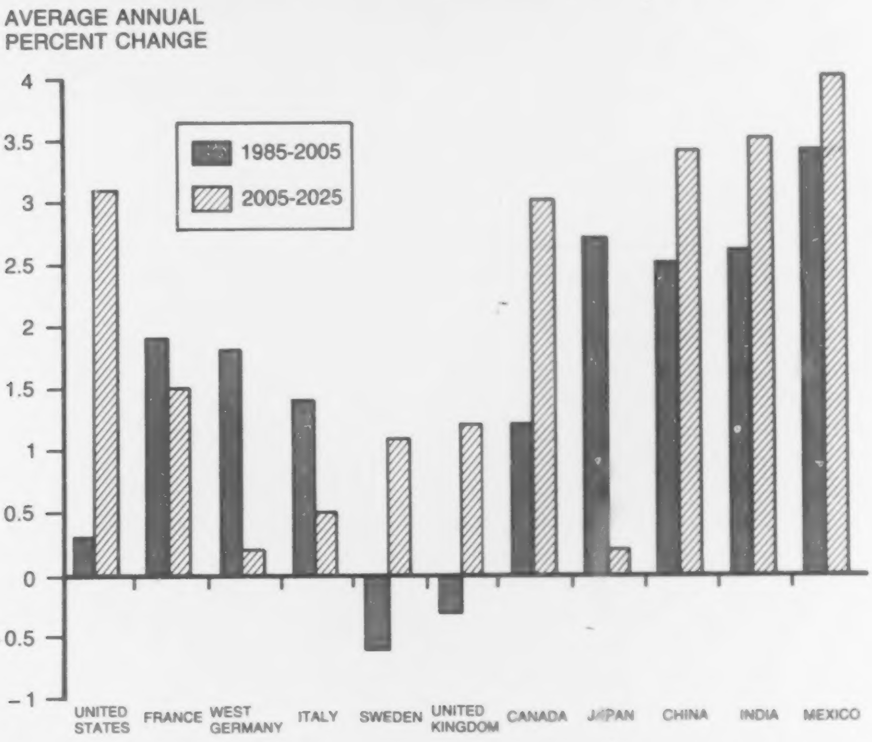
## AVERAGE ANNUAL GROWTH RATES OF ELDERLY POPULATION BY AGE, FOR SELECTED COUNTRIES: 1985 TO 2005 AND 2005 TO 2025

| Country | 1985 to 2005 | | 2005 to 2025 | |
|---|---|---|---|---|
| | 65 to 74 | 75 plus | 65 to 74 | 75 plus |
| United States | 0.3 | 2.3 | 3.1 | 1.6 |
| France | 1.9 | 0.5 | 1.5 | 1.1 |
| West Germany | 1.8 | 0.2 | 0.2 | 0.9 |
| Italy | 1.4 | 1.6 | 0.5 | 0.7 |
| Sweden | −0.6 | 0.4 | 1.1 | 1.1 |
| United Kingdom | −0.3 | 0.3 | 1.2 | 1.0 |
| Canada | 1.2 | 2.2 | 3.0 | 2.3 |
| Japan | 2.7 | 2.9 | 0.2 | 2.5 |
| China | 2.5 | 3.4 | 3.4 | 3.2 |
| India | 2.6 | 2.7 | 3.5 | 4.8 |
| Mexico | 3.4 | 3.3 | 4.0 | 3.7 |

SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

Chart 7-3

AVERAGE ANNUAL GROWTH RATE OF POPULATION AGE 65 TO 74
FOR SELECTED COUNTRIES: 1985 TO 2005 AND 2005 TO 2025



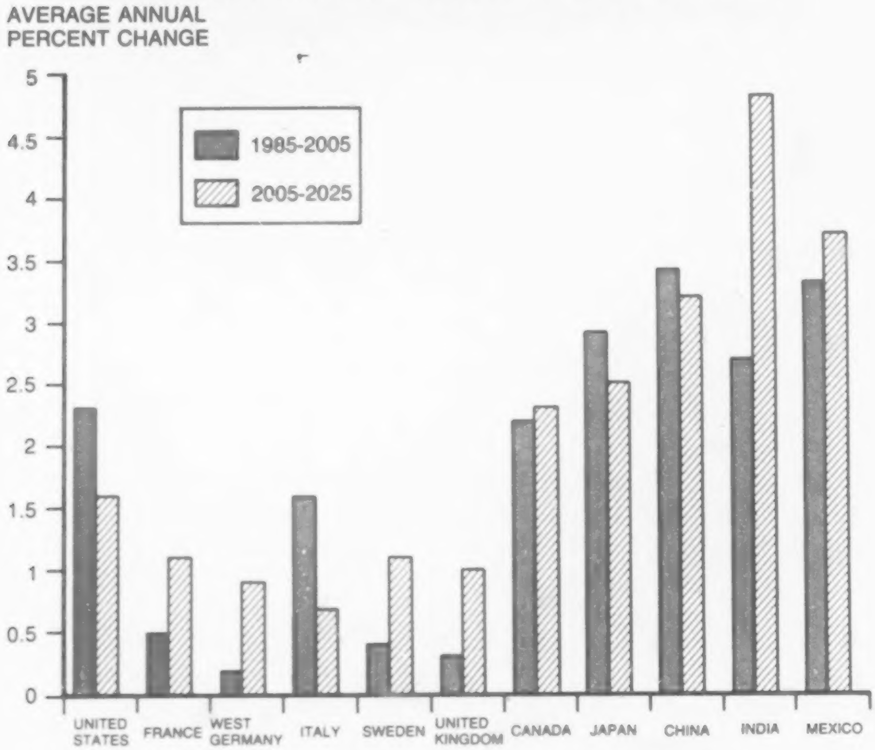
SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taeuber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

## THE OLDEST-OLD ARE THE FASTEST GROWING SEGMENT OF THE ELDERLY POPULATION IN MANY COUNTRIES DURING THE NEXT 20 YEARS. THE U.S. GROWTH RATE IN THE 75 AND OVER POPULATION WILL BE AMONG THE MOST RAPID IN THE DEVELOPED WORLD

During the next 40 years, the fastest growth rate in the 75 years and older population in the developed world will occur in Japan. The U.S. and Canada will also experience a rapid growth in the 75 and over population during this period. On the other hand, Western Europe will experience a relatively slow growth rate in the oldest-old population. As with the young-elderly, the average annual growth rates for the 75-plus populations in many developing countries will be well above the rates in developed countries (table 7-3 and chart 7-4).

## Chart 7-4

### AVERAGE ANNUAL GROWTH RATE OF POPULATION AGE 75 AND OLDER FOR SELECTED COUNTRIES: 1985 TO 2005 AND 2005 TO 2025



SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

## LIFE EXPECTANCY AT BIRTH IN THE UNITED STATES IS ABOUT AVERAGE FOR THE DEVELOPED WORLD

The longest life expectancy at birth in 1985 was in Japan—77.1 years (table 7-4). Life expectancy in the U.S.—74.6 years—was about average for the developed world but was 2.5 years shorter than Japan. The difference in life expectancy between the U.S. and Japan has more to do with infant mortality than aging. Life expectancy at age 65 is about the same in Japan and the U.S.—six months longer for Japanese males and six months shorter for Japanese females—but the infant mortality rate in Japan is only half the U.S. rate.[2]

In nearly all countries females live longer than males. The difference between male and female life expectancy in the U.S. is one of the most extreme in the world—second only to France. In developing countries, the gap between male and female life expectancies typically is smaller than in the developed world.

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[2] Population Reference Bureau, Inc. *1987 World Population Data Sheet.* April 1987.

### Table 7-4

### LIFE EXPECTANCY AT BIRTH AND DIFFERENCES BY SEX FOR SELECTED COUNTRIES: 1985

| Country | Life expectancy at birth (in years) | |
|---|---|---|
| | Both sexes | Difference (female minus male) |
| United States | 74.6 | 7.5 |
| France | 74.8 | 8.0 |
| West Germany | 74.1 | 6.8 |
| Italy | 74.8 | 6.8 |
| Sweden | 76.6 | 6.2 |
| United Kingdom | 74.1 | 6.4 |
| Canada | 76.0 | 7.1 |
| Japan | 77.1 | 5.5 |
| China | 65.8 | 3.8 |
| India | 56.6 | −0.2 |
| Mexico | 66.4 | 4.6 |

SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

## THE TOTAL U.S. SUPPORT RATIO IN 1985 WAS ABOUT AVERAGE FOR THE DEVELOPED WORLD AND WAS LOWER THAN THE RATIO IN DEVELOPING COUNTRIES. BY 2025 THE TOTAL U.S. RATIO IS EXPECTED TO BE AMONG THE HIGHEST IN THE WORLD

The total support ratio is the ratio of children and older persons to working-age adults.[3] In 1985, developing countries had the highest total support ratios because of high proportions of children in their populations (table 7-5). India and Mexico, for example, had more than one "dependent" person in the population for each working-age adult. In the developed world, 1985 total support ratios were low because of low birth rates in recent years and, as yet, relatively small elderly populations.

By 2025, this pattern will be reversed. The developed nations will have higher total support ratios than developing countries, primarily because of the rise in the proportion of elderly in the populations of the developed countries and the large projected declines in birth rates in developing countries. Japan, Canada, and the U.S. will have the highest total support ratios.

Changes in support ratios for developed countries between 1985 and 2025 will generally be modest, but the age composition in these countries will undergo dramatic changes. For example, there were 21 elderly persons and 50 children in the U.S. for every 100 persons of working age (20-64) in 1985. By 2025, there will be an additional 14 elderly persons but seven fewer children making up the support ratio (charts 7-5 and 7-6).

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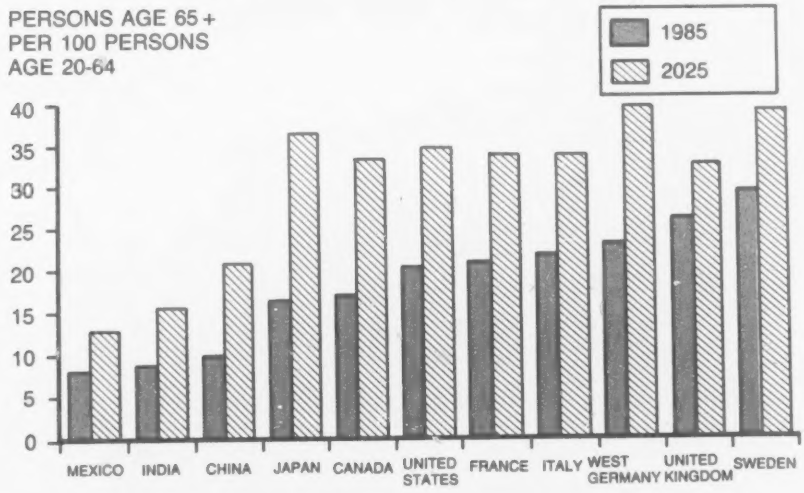
[3] Haupt, Arthur and Thomas T. Kane, Population Reference Bureau, Inc. *Population Handbook*. 1978. Although the U.S. Bureau of the Census used ages 0-19 and 65+ to define youth and elderly populations for "An Aging World," alternative ages can be used.

## Table 7-5
## SUPPORT RATIOS FOR SELECTED COUNTRIES: 1985 AND 2025 (number of persons in dependent age group per 100 persons in supporting age group)

| Country | Total ratio ((0-19) + (65 +))/(20-64) | | Elderly ratio (65 +)/(20-64) | | Oldest ratio (80 +)/(65 +) | |
|---|---|---|---|---|---|---|
| | 1985 | 2025 | 1985 | 2025 | 1985 | 2025 |
| United States | 70.8 | 78.4 | 20.5 | 34.8 | 21.7 | 24.4 |
| France | 70.4 | 75.3 | 21.1 | 33.8 | 25.8 | 18.7 |
| West Germany | 60.8 | 76.6 | 23.3 | 39.7 | 22.1 | 23.8 |
| Italy | 67.6 | 72.7 | 21.8 | 33.9 | 19.3 | 22.1 |
| Sweden | 73.5 | 76.3 | 29.4 | 39.1 | 20.9 | 23.6 |
| United Kingdom | 73.8 | 75.5 | 26.2 | 32.8 | 20.5 | 21.2 |
| Canada | 65.3 | 78.6 | 17.2 | 33.5 | 19.3 | 19.8 |
| Japan | 64.5 | 79.9 | 16.5 | 36.6 | 16.5 | 24.3 |
| China | 89.7 | 63.3 | 9.6 | 21.0 | 10.8 | 14.1 |
| India | 106.5 | 61.8 | 8.9 | 15.7 | 8.9 | 13.8 |
| Mexico | 133.4 | 68.2 | 8.3 | 12.9 | 16.4 | 16.0 |

SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

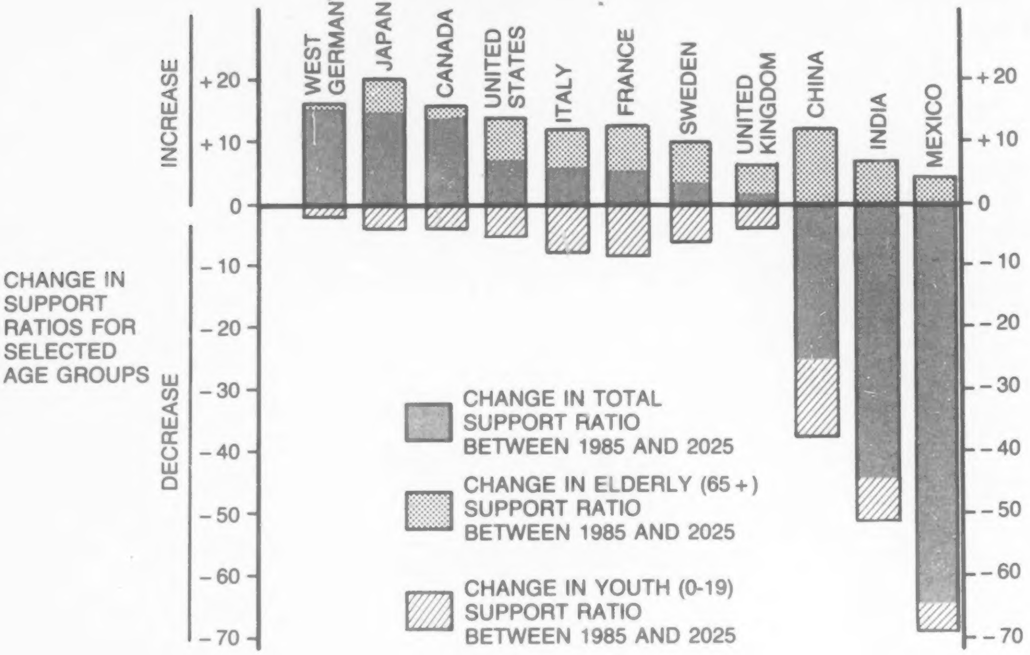
## Chart 7-5
## ELDERLY SUPPORT RATIO (POPULATION AGE 65+/POPULATION 20-64) FOR SELECTED COUNTRIES: 1985 AND 2025



SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

## Chart 7-6

## CHANGE IN TOTAL, ELDERLY, AND YOUTH SUPPORT RATIOS BETWEEN 1985 AND 2025, FOR SELECTED COUNTRIES



SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

Explanation of chart 7-6:

Between 1985 and 2025, the elderly (65+) support ratio in Italy will increase by 12 persons (per 100 persons 20-64 years of age) while the youth (0-19 years) support ratio will decrease by seven persons (per 100 persons 20-64 years of age). The resulting change in the total support ratio for Italy will be a net increase of five persons between 1985 and 2025.

During this same period in Mexico, the elderly support ratio will increase by five persons, but the youth support ratio will decrease by 70 persons. Thus, the total support ratio in Mexico between 1985 and 2025 will decline by 65 persons (per 100 persons 20-64 years of age).

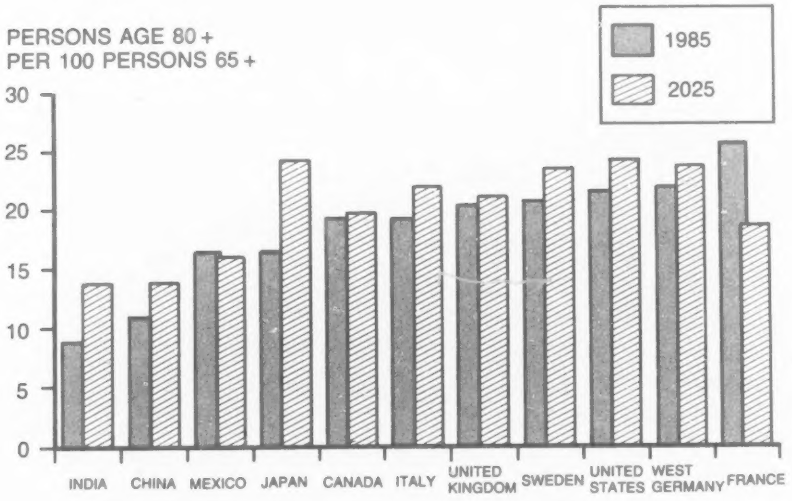
All countries shown in chart 7-6 will experience relative increases in their elderly populations and decreases in their youth populations between 1985 and 2025. The net change in their total support ratio (increase or decrease) is determined by the size of change in their elderly and youth support ratios.

# THE UNITED STATES HAS ONE OF THE OLDEST ELDERLY POPULATIONS IN THE WORLD, A TREND THAT WILL CONTINUE THROUGH 2025. BY CONTRAST, JAPAN NOW HAS ONE OF THE YOUNGEST ELDERLY POPULATIONS IN THE DEVELOPED WORLD BUT WILL HAVE ONE OF THE OLDEST BY 2025

The U.S. has an unusually high proportion of the very old in its elderly population, and this proportion is expected to increase by 2025 (chart 7-7). Today, West Germany and France have larger proportions of the very old in their elderly populations, but by 2025, the U.S. will have a higher proportion of very old than these countries. Today, Japan's older population is unusually young for a developed nation, but by 2025 its older population—along with that in the U.S.—will be one of the oldest older populations in the world.

Chart 7-7

OLDEST SUPPORT RATIO (POPULATION 80+/POPULATION 65+) FOR SELECTED COUNTRIES: 1985 AND 2025



SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

# EMPLOYMENT

## SMALL PERCENTAGES OF PEOPLE IN THE DEVELOPED WORLD CONTINUE TO WORK AFTER AGE 65. OLDER PEOPLE IN THE UNITED STATES ARE MORE LIKELY TO BE WORKING THAN THEY ARE IN OTHER DEVELOPED COUNTRIES IN THE WORLD EXCEPT JAPAN

While the U.S. population has an early retirement pattern that is about average in the developed world, Americans are more likely to work after age 65 than are older people in other developed countries—with the exception of the Japanese (table 7-6 and chart 7-8). U.S. labor force participation rates for men at age 60-64 are significantly higher than in Italy, France, or West Germany, but are lower than in the United Kingdom, Sweden, Canada, and Japan or in the developing world. However, U.S. labor force participation rates for females at age 60-64 are higher than any other developed country, except Japan and Sweden.

After age 65, U.S. labor force participation rates are significantly higher than other developed countries, with the exception of Japan. Japan's male and female labor force participation rates after 65 are unusually high—nearly half of the men (46 percent) and one-sixth of the women (16 percent) are still working.

In developing countries, where retirement systems are not prevalent, older men and women are more likely to remain in the labor force than are their counterparts in developed countries.

### Table 7-6

### LABOR FORCE PARTICIPATION RATES FOR THE ELDERLY BY SEX AND AGE GROUP IN SELECTED COUNTRIES: 1971-82

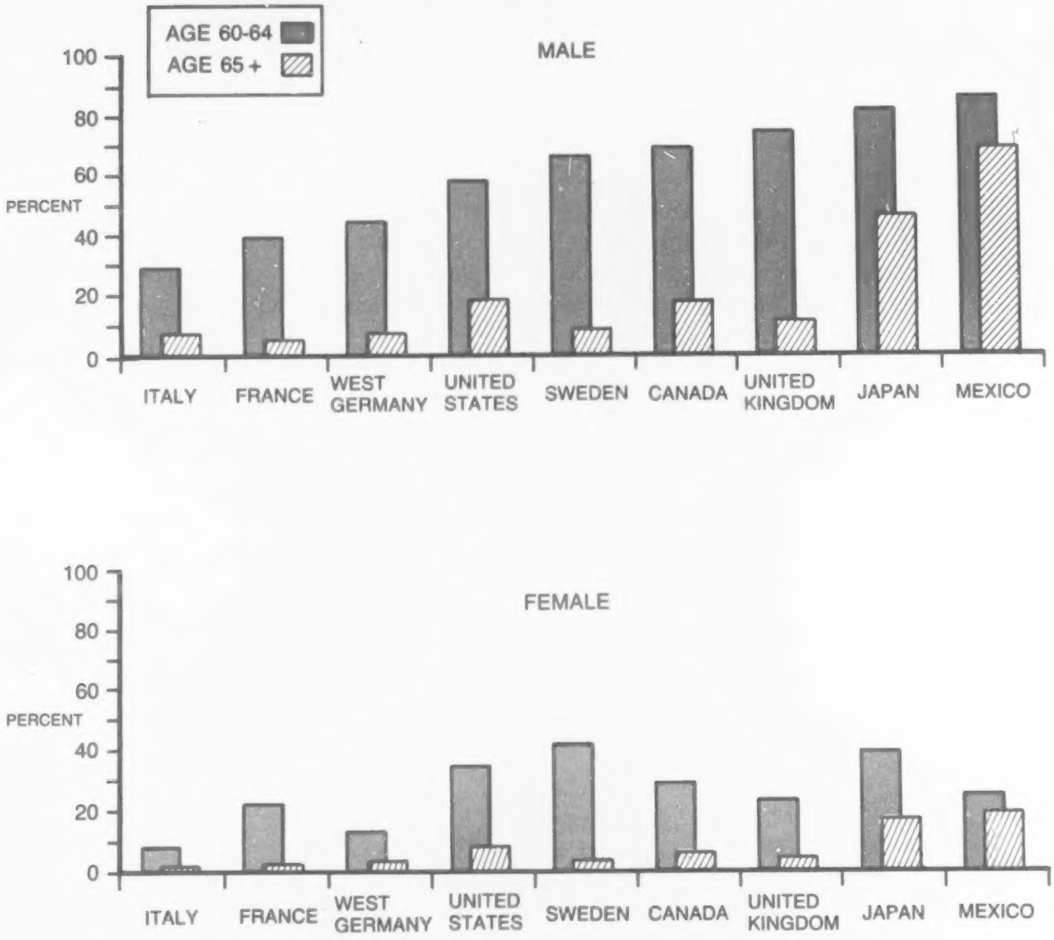
| Country | Year | Male |  | Female |  |
|---|---|---|---|---|---|
|  |  | 60 to 64 | 65 plus | 60 to 64 | 65 plus |
| United States | 1982 | 57.9 | 17.7 | 34.2 | 7.9 |
| France | 1982 | 39.1 | 5.0 | 22.3 | 2.2 |
| West Germany | 1980 | 44.2 | 7.4 | 13.0 | 3.0 |
| Italy | 1981 | 29.1 | 6.9 | 8.0 | 1.5 |
| Sweden | 1980 | 65.9 | 8.1 | 41.4 | 2.6 |
| United Kingdom | 1981 | 74.6 | 10.7 | 22.5 | 3.7 |
| Canada | 1981 | 68.8 | 17.3 | 28.3 | 6.0 |
| Japan | 1980 | 81.5 | 46.0 | 38.8 | 16.1 |
| China | 1982 | 63.6* |  | 16.8* |  |
| India | 1971 | 73.8* |  | 10.5* |  |
| Mexico | 1980 | 85.6 | 68.6 | 24.1 | 18.6 |

SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

*Data are for ages 60-64 and 65+ combined.

## Chart 7-8

## ELDERLY LABOR FORCE PARTICIPATION RATES BY SEX AND AGE GROUP IN SELECTED COUNTRIES: 1980-82*



SOURCE: Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

*See table 7-6 above for dates of data collection.

# ECONOMIC STATUS[4]

## THE U.S. ELDERLY DERIVE A SMALLER PROPORTION OF THEIR INCOME FROM SOCIAL INSURANCE, AND A LARGER PROPORTION FROM EARNINGS AND FROM ASSETS, THAN THE ELDERLY IN SEVERAL OTHER DEVELOPED COUNTRIES

According to the Luxembourg Income Study of seven developed countries, only one-third (35 percent) of the income of younger elderly families (age 65 to 74) in the U.S. and Canada came from social insurance, compared to about half or more than half in some other developed countries (table 7-7, chart 7-9). The same relationship is true for the older elderly. Less than half (45 percent) of the income of elderly families age 75 and older in the U.S. and Canada came from social insurance, compared to over half to about three-quarters of the income of this age

### Table 7-7

### COMPOSITION OF GROSS INCOME OF ELDERLY FAMILIES BY INCOME TYPE, FOR SELECTED COUNTRIES: 1979-81

| Country | Year | Total income | Percent distribution by type | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Social insurance | Pensions | Earnings | Property income | Means-tested transfers | Private transfers |
| | | | AGE 65-74 | | | | | |
| United States . . | 1979 | 100 | 35 | 13 | 32 | 18 | 2 | 0 |
| West Germany . | 1981 | 100 | 67 | 12 | 17 | 2 | 1 | 0 |
| Norway . . . . . . . | 1979 | 100 | 45 | 7 | 41 | 6 | 0 | 1 |
| Sweden . . . . . . | 1979 | 100 | 76 | — | 12 | 9 | 3 | 0 |
| United Kingdom | 1979 | 100 | 46 | 15 | 26 | 10 | 3 | 0 |
| Canada . . . . . . | 1981 | 100 | 35 | 12 | 28 | 22 | 2 | 0 |
| Israel . . . . . . . . | 1979 | 100 | 23 | 20 | 42 | 13 | 0 | 2 |
| | | | AGE 75 PLUS | | | | | |
| United States . . | 1979 | 100 | 45 | 12 | 17 | 24 | 2 | 0 |
| West Germany . | 1981 | 100 | 75 | 12 | 8 | 4 | 1 | 0 |
| Norway . . . . . . . | 1979 | 100 | 75 | 10 | 6 | 8 | 1 | 0 |
| Sweden . . . . . . | 1979 | 100 | 78 | — | 2 | 13 | 7 | 0 |
| United Kingdom | 1979 | 100 | 54 | 12 | 17 | 10 | 7 | 0 |
| Canada . . . . . . | 1981 | 100 | 45 | 8 | 13 | 30 | 2 | 0 |
| Israel . . . . . . . . | 1979 | 100 | 29 | 25 | 21 | 22 | 1 | 2 |

SOURCE: Data taken from the Luxembourg Income Study as reported in Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

—Signifies less than 0.5 percent.

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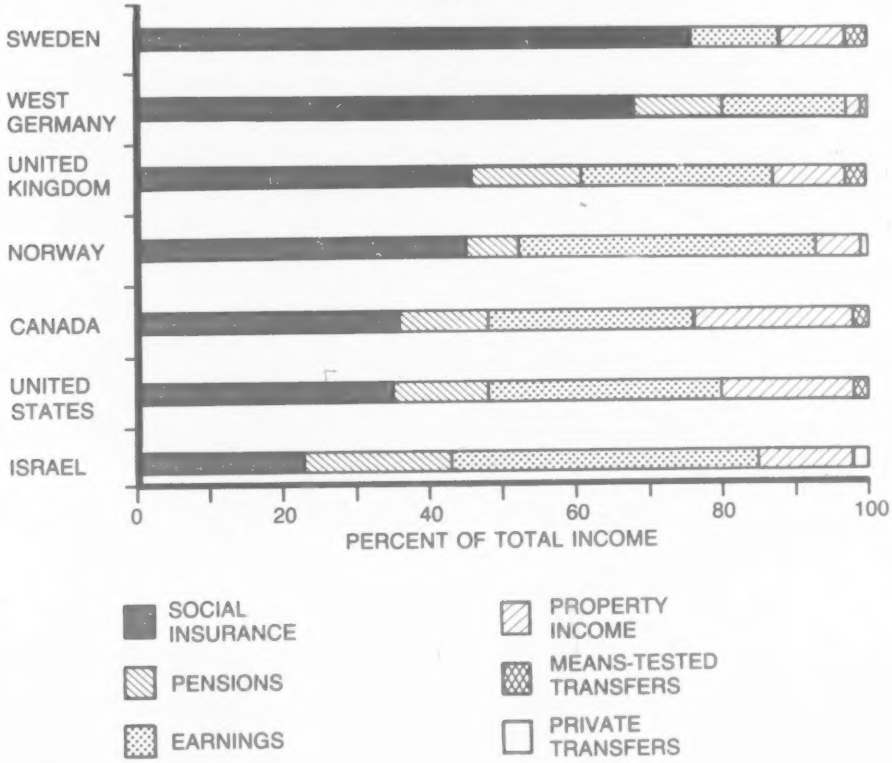
[4] Data on economic status in the U.S. Bureau of the Census' "An Aging World" come from the Luxembourg Income Study. This study adjusted income data for 1979-81 from seven developed nations to internationally comparable formats to compare the economic status of the population. For more information on this study, see Centre d'Etudes de Populations, "An Introduction to the Luxembourg Income Study," LIS-CEPS Working Paper Series, Working Paper No. 1, June 1985.

group in some other developed countries. Among all countries studied, only in Israel did social insurance play a smaller role in the incomes of the elderly than in the U.S. and Canada.

Earnings and assets played a more significant role in the incomes of the elderly in the U.S., Canada, and Israel than they did for the elderly in many other developed countries. However, Norway's younger elderly (65 to 74) derived a high proportion of their income from earnings, which in combination with social insurance payments accounted for 86 percent of their income.

Chart 7-9

COMPOSITION OF INCOME OF FAMILIES WITH HEADS AGE 65 TO 74 FOR SELECTED COUNTRIES: 1979-81*



*See table 7-7 above for dates of data collection.

SOURCE: Data taken from the Luxembourg Income Study as reported in Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

## POVERTY RATES AMONG THE ELDERLY IN THE UNITED STATES, UNITED KINGDOM, AND ISRAEL ARE AMONG THE HIGHEST IN THE DEVELOPED WORLD

According to the Luxembourg Income Study, the United States had one of the largest concentrations of relatively low-income elderly among the seven countries studied. When incomes were adjusted on an equivalent basis,[5] one in five (20 percent) younger U.S. elderly (age 65 to 74) and more than one in four (28 percent) older U.S. elderly (age 75 and older) were in the low-income category. While the United Kingdom had a similar distribution of low-income elderly, only Israel (among the countries studied) had a higher concentration of low-income elderly (table 7-8 and chart 7-10).

### Table 7-8

### EQUIVALENT POVERTY RATES FOR ELDERLY FAMILIES BY AGE GROUP, FOR SELECTED COUNTRIES: 1979-81

### (percent of elderly families with less than half of median equivalent net income)

| Country | Year | 55 to 59 | 60 to 64 | 65 to 74 | 75 plus |
|---|---|---|---|---|---|
| United States | 1979 | 13.1 | 19.2 | 19.7 | 28.0 |
| West Germany | 1981 | 6.1 | 9.8 | 12.6 | 15.8 |
| Norway | 1979 | 3.4 | 3.7 | 2.8 | 8.1 |
| Sweden | 1979 | 3.4 | 3.5 | 0.2 | — |
| United Kingdom | 1979 | 6.1 | 9.9 | 19.6 | 25.1 |
| Canada | 1981 | 11.3 | 15.6 | 11.5 | 14.3 |
| Israel | 1979 | 4.1 | 14.9 | 20.1 | 31.3 |

SOURCE: Data taken from the Luxembourg Income Study as reported in Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

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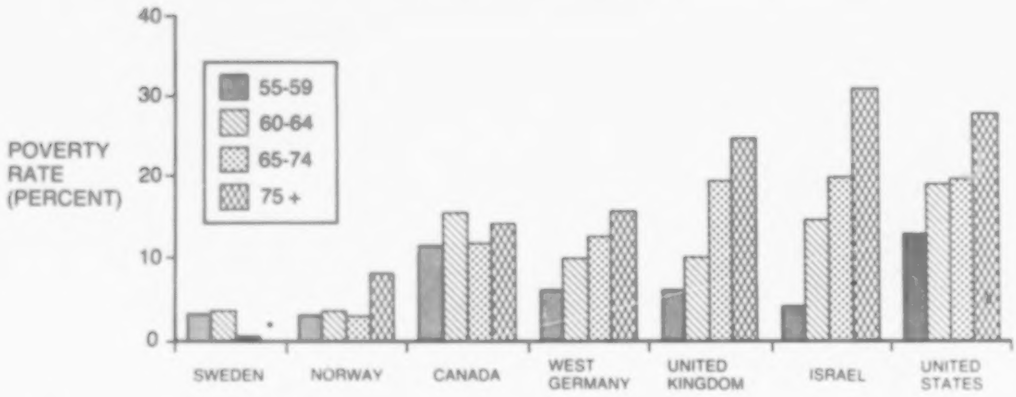
[5] The Luxembourg Income Study compared national-level survey income data from several countries that were adjusted to internationally comparable formats. Poverty rate is defined as a percent of families with equivalent net income (adjusted for family size) less than half of the median equivalent net income for families of all ages.

### Chart 7-10

### EQUIVALENT POVERTY RATES FOR ELDERLY FAMILIES BY AGE GROUP, FOR SELECTED COUNTRIES: 1979-81**



SOURCE: Data taken from the Luxembourg Income Study as reported in Torrey, Barbara Boyle, Kevin G. Kinsella, and Cynthia M. Taueber, U.S. Bureau of the Census. "An Aging World" (forthcoming).

*Less than 0.05 percent.

**See table 7-8 above for dates of data collection.

# GOVERNMENT EXPENDITURES

## WHILE THE SHARE OF GROSS DOMESTIC PRODUCT SPENT ON PENSIONS IN THE U.S. IS ABOUT AVERAGE AMONG SEVEN MAJOR DEVELOPED COUNTRIES, THE SHARE SPENT ON MEDICAL CARE IN THE U.S. IS ONE OF THE HIGHEST

A recent study of seven major industrial countries found that social expenditures in the U.S. (medical care, pensions, education, unemployment, family benefits, and other social programs) consumed a proportion of the nation's gross domestic product (GDP) about equal to the other countries, except Japan. However, the U.S. differed from the other countries studied in the proportion of social expenditures generated by private funding sources. In the other countries, nearly all of these expenditures came from government funds; but in the U.S., the private sector was responsible for about one-third of all social expenditures (table 7-9).[6]

In 1980, the United States spent 8.1 percent of its GDP on pensions. While this share was nearly double that spent by Canada and Japan, it was a lower share than was spent by most European nations (chart 7-11).

On the other hand, the 9.5 percent of GDP spent on medical care by the United States in 1980 accounted for a higher share of its GDP than any of the other countries studied, and was more than twice as high as that of Japan.

### Table 7-9

### SOCIAL EXPENDITURES AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT FOR SELECTED COUNTRIES: 1980

| | Government expenditures only | | | | Government and private expenditures | | | |
|---|---|---|---|---|---|---|---|---|
| Country | Total | Pensions | Medical care | Other | Total | Pensions | Medical care | Other |
| United States | 17.7 | 6.3 | 4.5 | 6.9 | 28.2 | 8.1 | 9.5 | 10.6 |
| France | 31.0 | 10.0 | 6.7 | 14.3 | 33.9 | 10.0 | 8.0 | 15.9 |
| West Germany | 31.1 | 13.3 | 6.1 | 11.7 | 33.9 | 13.3 | 8.7 | 11.9 |
| Italy | 25.0 | 12.1 | 5.9 | 7.0 | 25.9 | 12.1 | 6.8 | 7.0 |
| United Kingdom | 22.9 | 5.8 | 5.8 | 11.3 | 27.1 | 9.0 | 5.8 | 12.3 |
| Canada | 20.3 | 3.5 | 5.6 | 11.2 | 24.4 | 4.8 | 7.5 | 12.1 |
| Japan | 15.4 | 4.2 | 4.8 | 6.4 | 16.8 | 4.2 | 5.0 | 7.6 |

SOURCE: International Monetary Fund. "Aging and Social Expenditure in the Major Industrial Countries, 1980-2025." Occasional Paper 47, Tables 15 and 16 (September 1986).

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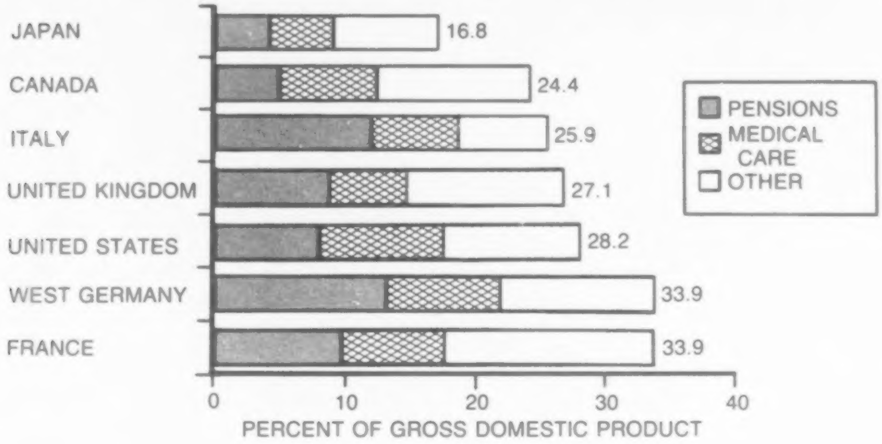
[6] The information in the section on social expenditures is taken from a report by the International Monetary Fund, "Aging and Social Expenditure in the Major Industrial Countries, 1980-2025." Occasional Paper 47, September 1986. Projected social expenditure patterns are based on current patterns. Differences in projected patterns reflect primarily the projected growth and changing age composition of each country's population and some assumptions regarding the economic effects of these changes. The demographic assumptions underlying the IMF population projections generally reflect "intermediate" assumptions provided by the countries studied (i.e., slight increases in fertility levels and continued improvements in life expectancy).

## Chart 7-11

## GOVERNMENT AND PRIVATE SOCIAL EXPENDITURES AS A PERCENTAGE OF GROSS DOMESTIC PRODUCT FOR SELECTED COUNTRIES BY TYPE OF EXPENDITURE: 1980



SOURCE: International Monetary Fund. "Aging and Social Expenditure in the Major Industrial Countries, 1980-2025." Occasional Paper 47 (September 1986).

## THE UNITED STATES IS EXPECTED TO EXPERIENCE A LOW RATE OF GROWTH IN GOVERNMENT PENSION COSTS DURING THE NEXT 40 YEARS, SIMILAR TO THAT FOR MUCH OF THE DEVELOPED WORLD. BY CONTRAST, JAPAN IS EXPECTED TO HAVE A RATE OF GROWTH MORE THAN TWICE THAT IN THE UNITED STATES

Japan has had over the last 20 years, and is projected to continue having over the next 40 years, the highest rate of growth in real government expenditures for pension costs. Japan's average annual rate of growth in pension spending of 14.1 percent between 1960 and 1980, and its projected annual growth rate of 5.9 percent between 1980 and 2025, are more than double the average rate of growth in the other countries studied.

The historical and projected pension cost growth rates for the U.S. are about average for the developed world. Between 1960 and 1980, U.S. government pension costs grew by an average of 6.2 percent a year (after adjustment for inflation). Between 1980 and 2025, U.S. government pension costs are projected to grow at an average real rate of 2.5 percent (table 7-10 and chart 7-12).

## Table 7-10

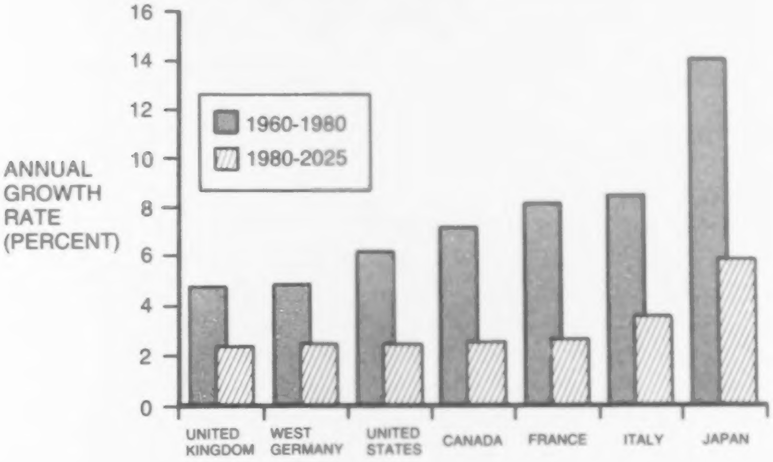
## ANNUAL GROWTH RATE IN REAL GOVERNMENT PENSION EXPENDITURES FOR SELECTED COUNTRIES: 1960-80 and 1980-2025

| Country | 1960-80 | 1980-2025 |
|---|---|---|
| United States | 6.2 | 2.5 |
| France | 8.2 | 2.7 |
| West Germany | 4.9 | 2.5 |
| Italy | 8.5 | 3.6 |
| United Kingdom | 4.8 | 2.4 |
| Canada | 7.2 | 2.6 |
| Japan | 14.1 | 5.9 |

SOURCE: International Monetary Fund. "Aging and Social Expenditure in the Major Industrial Countries, 1980-2025." Occasional Paper 47, Table 6 (September 1986).

## Chart 7-12

## ANNUAL GROWTH RATE IN REAL GOVERNMENT PENSION EXPENDITURES FOR SELECTED COUNTRIES: 1960-1980 AND 1980-2025



SOURCE: International Monetary Fund. "Aging and Social Expenditure in the Major Industrial Countries, 1980-2025." Occasional Paper 47 (September 1986).

# U.S. GOVERNMENT EXPENDITURES ON MEDICAL CARE ARE EXPECTED TO GROW OVER THE NEXT 40 YEARS AT THE MOST RAPID RATE AMONG SEVEN SELECTED INDUSTRIAL COUNTRIES

Real government expenditures between 1980 and 2025 for medical care are projected to increase by 80 percent in the U.S. and by 74 percent in Canada. Other countries are expected to have more modest increases, while West Germany is expected to experience little growth in real government medical care expenditures during the next four decades (table 7-11 and chart 7-13).

### Table 7-11

### PROJECTED INCREASES IN REAL GOVERNMENT EXPENDITURES ON MEDICAL CARE FOR SELECTED COUNTRIES: 2000 and 2025

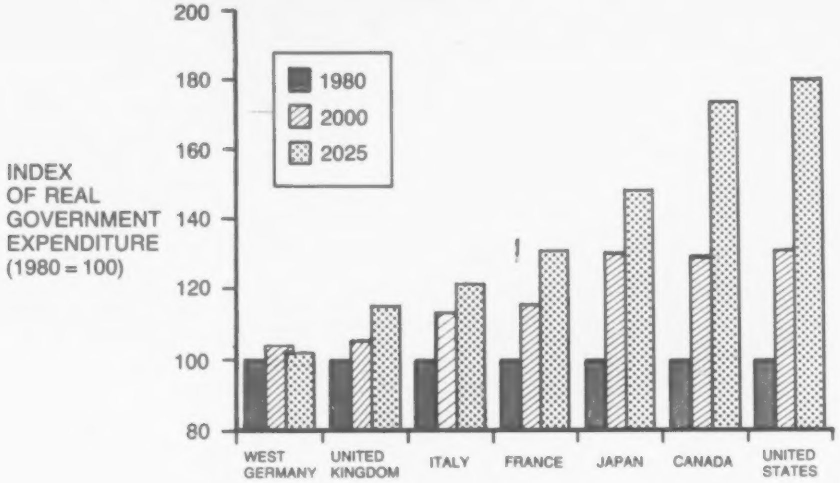
(index: 1980 = 100)

| Country | Year | | |
|---|---|---|---|
| | 1980 | 2000 | 2025 |
| United States | 100 | 130 | 180 |
| France | 100 | 117 | 130 |
| West Germany | 100 | 104 | 103 |
| Italy | 100 | 113 | 121 |
| United Kingdom | 100 | 105 | 115 |
| Canada | 100 | 128 | 174 |
| Japan | 100 | 130 | 147 |

SOURCE: International Monetary Fund. "Aging and Social Expenditure in the Major Industrial Countries, 1980-2025." Occasional Paper 47, Table 8 (September 1986).

Chart 7-13

ACTUAL AND PROJECTED REAL GOVERNMENT EXPENDITURES ON MEDICAL CARE FOR SELECTED COUNTRIES: 1980, 2000, AND 2025



SOURCE: International Monetary Fund. "Aging and Social Expenditure in the Major Industrial Countries, 1980-2025." Occasional Paper 47 (September 1986).

## CONCLUSION

The United States is distinguished among the nations of the developed world in the size and growth of its very old population. Today's U.S. elderly population is older than that in most other countries, and in 40 years, it will be one of the oldest elderly populations in the world.

Older persons in the U.S. seem to work longer and have lower incomes than the elderly in most other developed countries. While U.S. government pension costs appear to be average, the government's medical care costs are the highest among the major industrial countries and are expected to grow rapidly.

Printed by:
U.S. Department
of Health and
Human Services

LR 3377 (188) · D 12198